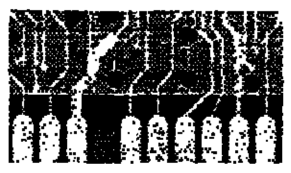
Survey
Japanese financial markets
Separate section



Tomorrow's Weekend FT
London special: even the pubs are losing their character

FINANCIAL TIMES

Friday March 27 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Ukraine may rethink pledge to remove N-arms

A proposal for Ukraine to retain nuclear weapons as a bargaining chip so that cuts could be achieved in the arsenals of other ex-Soviet republics is among confidential plans drawn up by the Ukrainian parliament's defence committee.

The proposals suggest that Ukraine should rethink its pledge to remove all strategic weapons by the end of 1994. They are likely to cause further misgivings in the west and exacerbate strains between Kiev and Moscow. Page 16

Call for more cuts in US interest rates Further reductions in US interest rates are needed to ensure recovery from recession, the joint economic committee of Congress said in its annual economic report. It predicts a sluggish economic recovery later this year, with fears about job security continuing to restrain consumer spending. Page 6.

Japan price probe: Japan's Fair Trade Commission launched an investigation into alleged domestic price fixing by subsidiaries of four leading electronics companies, Matsushita Electric Industrial, Toshiba, Sony and Hitachi. Page 4

UK election row: The main issues in the UK general election were driven off the agenda by a row over who leaked the name of the sick child featured in a controversial political broadcast by the opposition Labour party. The Conservatives and Labour vied to take the high moral ground by each charging their opponents with abusing a family's privacy for their own political ends. Page 16; Election reports, Pages 8-9; Joe Rogaly, Page 14

Ciba-Geigy profits rise: Switzerland's largest chemical group reported a 24 per cent rise in annual post-tax profits to SFr1.280bn ($853m), with strong performances from the agriculture and pharmaceuticals operations. Page 17

Tyson jailed: Former world heavyweight boxing champion Mike Tyson was sentenced to six years in prison for the rape of a beauty queen.

CSCE peace move: Foreign ministers from the 51-nation Conference on Security and Co-operation in Europe agreed in principle that the CSCE should be given a peace-keeping capability. Page 3

German growth seen: Economic growth in west Germany would rise to 3 per cent next year after growth of only 1 per cent in the current year, Deutsche Bank's chief economist predicted. Page 2; Sales to eastern Europe fall, Page 2

Daf losses deepen: The Dutch truck group plunged deeper into loss last year with a net deficit of Fl 394.5m ($212m) compared with a loss of Fl 228m a year earlier. It is seeking a capital injection of up to Fl 300m. Page 17

Air fares deal: EC transport ministers agreed in principle to grant airlines the freedom to set fares from next year. Page 2

Wellcome, UK pharmaceuticals group, reported a 34.8 per cent rise in half-yearly pre-tax profits to £244m ($422m). Turnover at the prescription and consumer healthcare businesses rose by 27 per cent. Page 17; Lex, Page 16

Swire Pacific, Hong Kong-based aviation, property and trading group, boosted net profit in 1991 by 26 per cent to HK$3.08bn ($398m), helped by a big increase in earnings from rental income and industrial businesses. Page 19

S Korea pact agreed: South Korea's Democratic Liberal party regained a shaky grip on power by persuading two independents to join the party, giving it a bare majority following Tuesday's National Assembly election. Page 4

Car ballot doubt: Authorities in Amsterdam may not act on a ballot in which residents voted for strict measures to cut car traffic in the city because of the low turnout. Just under 27 per cent of voters took part in the ballot. Page 3

Greenpeace arrests: The French navy arrested Greenpeace anti-nuclear protesters after they entered a military exclusion zone around the Mururoa Atoll nuclear test site in the South Pacific.

Horse-trading: The US lost another bit of its "heritage" to a foreigner when Calumet Farm in Lexington, Kentucky, perhaps the most famous name in thoroughbred horse racing, was sold at a bankruptcy auction for $17m to a Polish-born aircraft broker who lives in the Bahamas. Page 16

Cricket deaths: At least five people were killed by stray bullets when cricket fans in Pakistan celebrated their country's World Cup victory over England by firing weapons in the air.

US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.087%	
Long Bond	100⅞%	
Yield	7.96%	
LONDON MONEY		
3-mo Interbank	10⅛%	(10⅞%)
Liffe long gilt future:	Jun 94½	(Jun 94⅞)
STOCK INDICES		
FT-SE 100:	2,472.2	(+7.3)
Yield	5.08	
FT-SE Eurotrack 100	1,146.25	(+1.72)
FT-A All Share	1,185.64	(+0.3%)
Nikkei	18,885.49	(−341.29)
New York: lunchtime		
Dow Jones Ind Ave	3,271.47	(+12.08)
S&P Composite	408.82	(+1.30)
NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$18.625	(17.925)
Gold		
New York Comex Apr	$341.1	(354.3)
London	$340.7	(341.5)

STERLING		
New York lunchtime:		
$	1.7248	
London:		
$	1.7225	(1.7315)
DM	2.8525	(2.88)
FFr	9.7075	(9.6975)
SFr	2.61	(2.5975)
Y	230.75	(231.0)
£ Index	90.1	(same)
DOLLAR		
New York lunchtime:		
DM	1.6606	
FFr	5.629	
SFr	1.514	
Y	133.95	
London:		
DM	1.662	(1.662)
FFr	5.635	(5.60)
SFr	1.5155	(1.5005)
Y	133.9	(133.35)
$ Index	85.1	(same)
Tokyo open Y 133.2		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es180		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

£177m deal proves Tiny Rowland is 'irreplaceable,' claims chairman

Libya buys Lonrho hotel stake

By Roland Rudd and Mark Nicholson

LONRHO, the international trading conglomerate, has sold to Libya a one third stake in the group's Metropole Hotels for £177m ($306m) in spite of the continuing western outcry over Libya's alleged involvement in terrorism.

Mr René Leclézio, chairman, told a noisy annual general meeting of Lonrho that the Libyan deal had been masterminded by Mr "Tiny" Rowland, Lonrho's chief executive.

But Lonrho refused to say whether the deal, flamboyant even by Mr Rowland's standards, was clinched in a personal meeting between Mr Rowland and Colonel Muammar Gadaffi, the Libyan leader. The sale has worried some of Lonrho's institutional investors.

The deal between Lonrho and the Libyan Arab Investment Company was signed as Libya faces the growing possibility of economic sanctions and the possibility of asset seizures over its alleged role in bombing of the Pan American airline in 1988.

Mr Leclézio said: "The deal was Mr Rowland's personal achievement. It was his deal. Not many people could have even followed Mr Rowland round while he did the deal". He added that Mr Rowland's contacts with African leaders illustrated why he was irreplaceable in the group.

Mr Leclézio criticised the press for subjecting Lonrho to a "persistent and misleading campaign of hysteria". He added: "Let the jackals bark, the caravan carries on". Lonrho's share price fell 8p to 95p yesterday.

While there are no immediate plans in the UN to press for a freeze on Libyan assets, the US has since 1986 barred American companies and individuals from dealing with Libyan owned or controlled institutions.

The US Treasury's Office of Foreign Assets Control, which enforces the ban, said it would seeking further information on the Metropole deal before deciding whether the hotel chain would be included on the list of 60 proscribed Libyan businesses.

Mr Paul Spicer, Lonrho's deputy chairman, said checks with certain organisations had been made before the deal was signed. He confirmed that the £177.5m from the Libyans had already been banked by Lonrho.

Asked about the concern expressed by institutional shareholders, Mr Spicer replied: "I refuse to debate ethics. This is a business deal. Not one single shareholder objected to it. Our institutional shareholders understand the deal because they are businessmen."

Arab bankers and businessmen in the City close to Libyan affairs claimed the Metropole share purchase was purely commercial.

But one Arab businessman said: "the timing will puzzle everyone". Libya's decision to purchase the Metropole stake appears the more baffling given that Tripoli has for the last few months been shifting up to $3bn of its liquid overseas assets out of Britain and other European centres towards friendlier Middle Eastern institutions – apparently to protect the assets from a possible freeze.

The state-run Libyan Arab Foreign Investment Company, which has only three offices outside Tripoli – in Malta, Athens and Rome – is Libya's main vehicle for its non-bank overseas assets. The bulk of Libya's other non-liquid European assets are oil-related, lying mainly in petroleum distribution networks in Italy and Switzerland.

Libya has in the past few months also bought several hotels in Egypt and some office blocks in London.

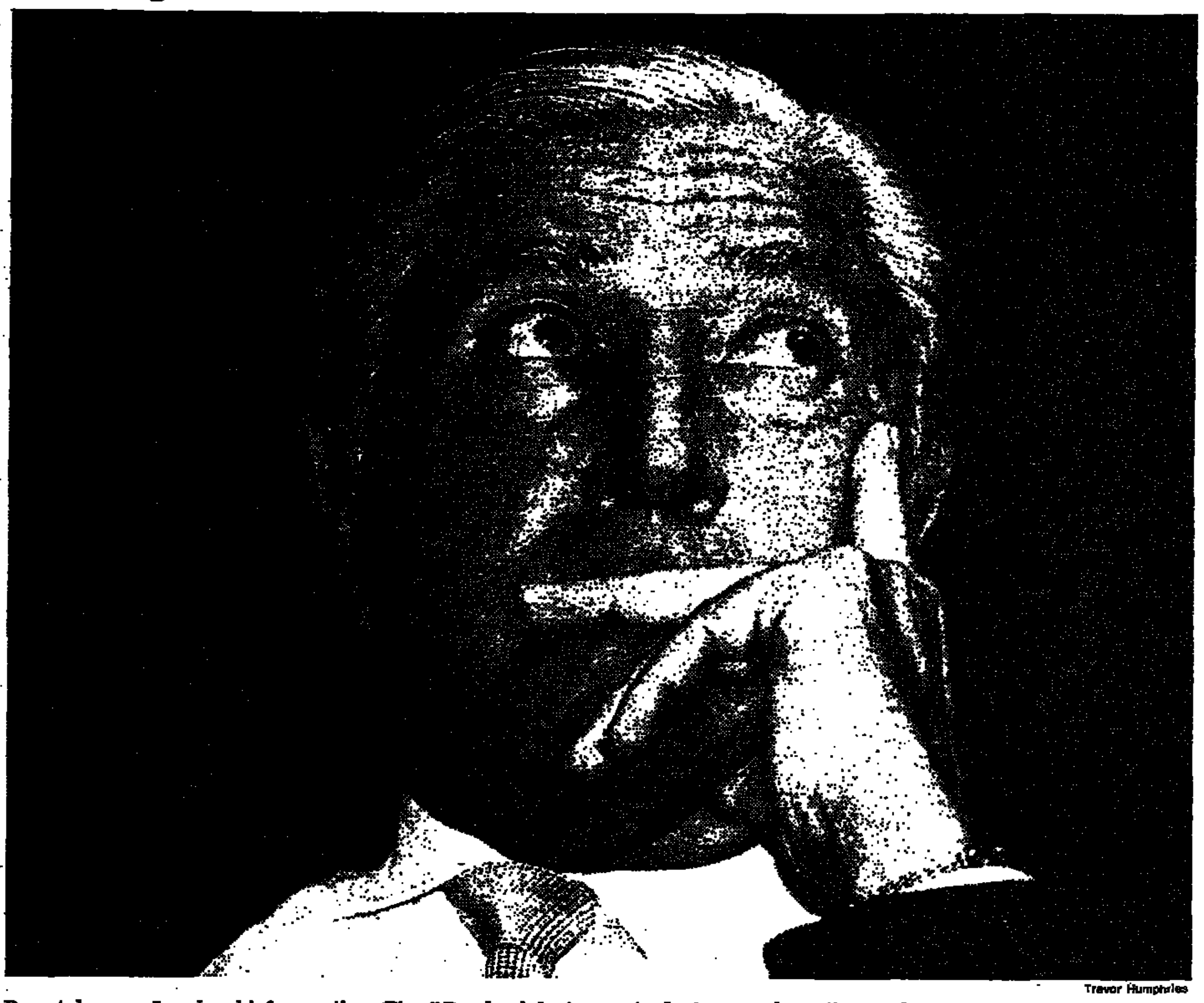
Lonrho's institutional shareholders yesterday expressed their "uneasiness" about the timing of the deal given the intense pressure on Libya from the US, France and Britain over its alleged complicity in terrorist bombings of two airliners in 1988 and 1989.

The sale values the Metropole Hotels at £531m, which is around £300m more than most analysts believed they were worth. Mr Mike Smith, conglomerate analyst at Robert Fleming Securities, said the deal valued the Metropole Hotels' 2,650 rooms at £200,000 each. "We thought they were worth about half that," he added.

Lonrho will continue to control the hotels, most of which are in Africa and the UK, by appointing six of the eight directors.

Mr Leclézio said:
Our aim is to reduce gearing to between 50 and 55 per cent (from 70 per cent) by the 30 September this year. We will continue to dispose judiciously of some assets."

Lex, Page 20



Trevor Humphries

Desert dreams: Lonrho chief executive "Tiny" Rowland during yesterday's annual meeting of the company in London

West rejects new offer by Libya on suspects

By Mark Nicholson, Middle East Correspondent

LIBYA was diplomatically marooned last night over its alleged role in the bombing of Pan Am flight 103 after the west rejected yet another proposal from Tripoli and the Arab League said it had suspended attempts to mediate.

Arab diplomats in Tunis reported that Libya's latest offer entailed handing over the two suspects in the 1988 Lockerbie bombing wanted by the US and Britain for trial, but on condition that they were not interrogated in either country.

Tripoli reportedly proposed that the pair should be interrogated either by the United Nations or a UN body.

Mr Boutros Boutros Ghali, the UN secretary general, last night rejected the proposal while repeating his demand that Libya supply a written declaration that

Continued on Page 16

Germany halts arms supply to Turkey

By Quentin Peel in Bonn

GERMANY yesterday suspended supplies of military equipment to Turkey, its Nato partner, and bitterly criticised the government in Ankara for its attacks on Kurdish settlements in the south-west of the country.

Mr Hans-Dietrich Genscher, foreign minister, called on the European Community to condemn the Turkish actions, which he described as in "total contravention" of the Helsinki Final Act, and contrary to its commitments as a member of Nato and the Conference on Security and Co-operation in Europe.

The sharp confrontation comes only days after Mr Helmut Kohl, the German chancellor, bluntly rejected an appeal by President George Bush to support full Turkish membership of the European Community. Officials in Bonn said the German leader did not disguise his opposition to the Turkish membership application, and observers said that the latest dispute can only strengthen German resistance.

"Everyone is opposed to Turkish membership, but no one dares say so publicly," a senior official said. Germany instead is pushing for EC enlargement negotiations to include up to five members of the European Free Trade Association – Austria, Sweden, Finland, Norway and Switzerland – and three east European countries – Czechoslovakia, Hungary and Poland – before Turkey is considered.

German outrage at the Turkish operations against the Kurds has been stoked by alleged evidence that military equipment supplied by Bonn from the former East German army has been used in the raids, and by a Turkish accusation that Germany was harbouring terrorists from the PKK Kurdish nationalist movement.

The arms suspension was announced yesterday in a formal government declaration, demanding an answer on whether and how armaments supplied by Germany had been used in the military operations. Germany also reminded Turkey "that the requirements of the relevant agreement make it clear that this materiel may be used exclusively by the Turkish armed forces to defend itself against an armed attack on the Nato treaty area".

Background, Page 2

'Clot-busters' found less safe than 30-year-old heart drug

By Clive Cookson, Science Editor, in London

A DRUG introduced 30 years ago is a safer treatment for heart attacks than two heavily promoted new "clot-busters" costing five to 10 times as much, according to a clinical trial which the organisers at Oxford University say is the largest in the history of medicine.

Final results of the Isis-3 trial, involving 46,000 heart attack patients in 20 countries, are published in the Lancet, the British-based medical journal today. They are likely to make a big impact on the highly competitive market for clot-dissolving drugs.

They show that streptokinase, whose patent protection has long expired, saves lives as effectively as its two high-tech competitors, Apsac and tPA, made by the Anglo-American SmithKline Beecham and Genentech of the US respectively.

When combined with aspirin, all three drugs reduce heart attack mortality by half. "But streptokinase is safer, with both tPA and Apsac causing significantly more strokes from bleeding into the brain," Isis-3 concluded.

Genentech has most to lose from the survey. Last year's sales of tPA (trade name Activase) were worth $195m – 38 per of the company's total revenues. Its share of the US market for clot-dissolving drugs fell from two-thirds to half, after preliminary results from Isis-3 were released a year ago.

The full report today emphasises more strongly the increased risks from tPA and Apsac. According to Dr Rory Collins, Isis-3 co-ordinator, US hospitals could save more than $100m and prevent as many as 400 strokes a year by prescribing streptokinase instead of tPA.

Prof Desmond Julian, medical director of the British Heart Foundation, the leading heart charity, praised Isis-3. "We feel that the size of the trial is of immense importance and so is its independence from specific drug companies," he said.

"Isis-3 is likely to have a very substantial effect on the choice of drug" for heart attack patients.

But Mr Kirk Raab, Genentech chief executive, said yesterday: "We continue to believe that the Isis-3 findings are irrelevant to our product and to standard prescribing patterns for thrombolytic [clot-dissolving] therapy in the US."

Genentech and SKB say Isis-3 did not test their products under the most appropriate conditions.

According to SKB, Eminase – its trade name for Apsac – saves lives because it can be given to patients more quickly and easily than streptokinase.

Genentech points out that the tPA used in Isis-3 was not Activase but a version made by Wellcome of the UK.

Although Wellcome abandoned its tPA in 1990 after a court ruled that it infringed Genentech's patent, the US company says the two are not clinically identical.

Genentech is paying $55m to support another clinical comparison called Gusto, with 40,000 patients, which will compare Activase and streptokinase. Its results are due next year.

Meanwhile the streptokinase suppliers, Kabi Pharmacia and Astra of Sweden and Hoechst of Germany, are gearing up new sales campaigns based on Isis-3.

CONTENTS

Airlines free to set own fares

By David Gardner in Brussels

EC TRANSPORT ministers yesterday agreed in principle to grant airlines the freedom to set fares from next year.

In a prelude to a new crackdown on state subsidies to airlines, the European Commission gave ministers a detailed report on state aid to the industry, which it said were inhibiting development of a genuine "open skies" environment.

The freedom to set air tariffs will be limited by safeguards against over-pricing and "predatory pricing" by large carriers cutting fares to force smaller competitors out of business.

The full effectiveness of this measure will not be realised unless the 12 agree to liberalise market access, and to common airline licencing rules intended to facilitate new entrants to the industry. Ministers yesterday made less progress on these aspects of the EC's so-called "Third Aviation Package," the vehicle of its drive for open skies.

Ministers and Commission officials said agreement was likely in June on most of the package. "Seventh freedom" rights – the right of, say, British Airways to fly from Paris to Berlin – look likely to be agreed. On the introduction of cabotage – the right, for example, of BA to offer services between Paris and Marseilles – France, supported by the southern member states, is holding out for a six-year transition.

Mr Paul Quilès, French transport minister, said the EC must "avoid market destabilisation through too rapid a liberalisation."

The UK argued that partial liberalisation measures from 1987 and 1990, the first two open skies packages, had already provided the transition. The Netherlands, the other EC air transport liberal, called for a maximum one-year transition.

A likely compromise is about two years, with the introduction from next year of "consecutive cabotage" – BA offering services between Paris and Marseilles or Berlin and Frankfurt, provided the flight originates in the UK.

It was largely agreed that exemptions could be made, to take account of the environment, regional development, congestion, and promotion of railway transport. But Mr Karel Van Miert, transport commissioner, warned that Brussels would not accept any attempts to use such safeguards to circumvent liberalisation.

The Commission also warned it "will not give any privileges to state-owned carriers and that they will not have a guarantee for survival."

Officials confirmed that Commission attitudes will harden as open skies draw nearer.

Though Brussels has in the past year approved substantial government capital injections for Air France and Sabena, the struggling Belgian flag airline, for example, officials insist they will not stand by if competition becomes more between taxpayers than airlines.

Muscovites, unconvinced by Russian government promises that petrol price rises have been put off until the summer, queued for hours yesterday to fill their canisters

West Germany 'poised for growth'

By David Waller in Berlin

THE western part of Germany is poised to be "back on the growth track" next year, Deutsche Bank's chief economist predicted yesterday.

In an upbeat assessment of west Germany's medium-term prospects, Mr Norbert Walter said in Berlin that economic growth there would rise to 3 per cent next year after growing only 1 per cent this year.

He acknowledged that many conventional indicators, such as the fact that short-term interest rates are higher than long-term ones, suggested Germany was on course for a serious recession. But "structural changes" in Europe would help ensure this did not happen.

Germany would not have to rely on US recovery. Impetus for growth would come from implementation of the EC's single market at the start of next year, and closer trading links with Efta countries. Germany would benefit from high immigration.

An increase of 2.5m in west Germany's population since 1987 had ensured a flexible labour market, and stimulated the economy through demand for housing and consumer durables.

"For the short term, the outlook is bleak," Mr Walter said. "It is moderately good for the second half. A good chance exists that structural factors will take over next year and [west German recovery] will help Europe recover from the present doldrums."

A "dramatic" downturn would occur in west German inflation rates in the second half of the year, with year-on-year rates falling decisively below 4 per cent, against an expected 4.7 per cent peak for March and April.

The Bundesbank was unlikely to relax its tight monetary policy until early June, by which time the central bank should be prepared to let money market rates drop by half a percentage point. A cut in the key Lombard rate would not happen until next year.

Exports to eastern Europe fall by a third

By Quentin Peel in Bonn

GERMAN exports to eastern Europe and the former Soviet Union fell by almost a third last year following the sharp decline of eastern bloc economies.

Hardest hit were exports from the former East Germany, which were cut by 60 per cent, while overall German exports were down 29 per cent to DM37.9bn ($22.9bn), according to the private sector Ost Ausschuss, responsible for promoting trade with eastern Europe.

At the same time east European sales to Germany fell by 10 per cent to DM32.9bn.

German exports to the former Soviet Union fell more than 35 per cent to DM18.2bn and imports from the former Soviet Union by 20 per cent to DM14.6bn.

The figures were published as the Economics Ministry revealed that Hermes-insured export credits to the former Soviet republics were still blocked because of failure to agree with Russia on counter-guarantees.

Mr Lorenz Schomerus, head of the ministry's external trade department, blamed differences of opinion within the Russian government, or simply problems of comprehension, for its refusal to confirm an agreement reached in Bonn. The deal provided for standard counter-guarantees by Russia to be given for export credits insured by Hermes.

As a result, German exports to Russia and other former Soviet republics, already subject to a DM5bn ceiling on export credits, have come to a virtual standstill since January.

Mr Schomerus said "intensive negotiations" were being reopened and would continue in Moscow next week.

West German retail sales will increase by no more than 1.5 per cent in real terms this year, Mr Hermann Franzen, president of the HDE retailers' association, said yesterday, writes Christopher Parkes from Bonn.

The boom of early 1991 faded as increased taxes and duties and the economic downturn took their toll, he said. Total sales in the west were almost DM750bn (£262bn), representing a volume increase of 8.6 per cent. Volume in the east, where there are no comparable figures for 1990, reached around DM90bn.

Attack on Kurds sours friendship

By John Murray Brown in Ankara

THE malaise in Turkish/German relations, with Bonn suspending arms shipments over the alleged use of German military aid to put down Kurdish demonstrations, owes something to the realisation on both sides that the special relationship is over.

Historically, Germany has been Turkey's main European ally. The two fought together in the First World War.

More recently the relationship has been cemented by economic links. In the growth years of the last three decades Turkish *Gastarbeiter* (guest workers) have played a vital role in both economies, particularly for Turkey. Turkish workers last year sent home $1.5bn (£860m).

However, the relationship is souring. Turkish feathers were ruffled during the Gulf War, when Germany initially failed to respond to Turkey's request for military aid, in the end sending eight Alpha Jets.

Behind the malaise is the realisation that, following German unification and developments in eastern Europe, Turkey is less important to Germany as an economic partner. Germany's dependence on Turkish labour has lessened. Indeed German aid is used as subsidised credits to entice Turkish workers home. Although DM13m (£4.5m) has been spent on rehabilitation and business schemes, as many as 1.5m Turks seem determined to stay permanently in Germany.

Many guest workers, perhaps 400,000, are of Kurdish origin. They provide much of the financial support for the separatist Kurdish Workers party whose political wing operates openly in Germany. Ankara has called on Bonn to ban their activities.

Yesterday's crisis follows television reports from south-east Turkey showing Turkish security forces using old east German armoured vehicles to attack Kurdish demonstrators. Most worrying for Ankara is the linking of this issue to Turkey's EC membership.

Romanian ruling party faces test of unity

By Virginia Marsh in Bucharest

ROMANIA'S RULING party, the National Salvation Front (NSF), faces a severe test of unity as it gathers today in Bucharest at the start of its annual convention.

Open factions have developed within the NSF in recent weeks, following the party's poor showing in February's local elections.

The NSF, which was returned to power in May 1990 with two-thirds of the vote, is now under pressure to resolve its problems ahead of general elections due this summer.

At the heart of the party's troubles is a bitter rift between supporters of Mr Ion Iliescu, the president, and those favouring Mr Petre Roman, the former prime minister and NSF national leader.

Mr Roman's reformist government was dismissed in September 1991 by Mr Iliescu following three days of miner-led strikes, but, until now, Mr Roman has managed to retain titular party leadership.

But Mr Roman's position looks increasingly vulnerable and party sources say his support is diminishing. Depending on the outcome of the convention, he may even leave the NSF and form a new party.

Earlier this week a parliamentary commission accused Mr Roman's government of misappropriating more than $120m from state funds in 1991. In a highly politicised report, the commission also alleged that Mr Roman's two cabinets had acted unprofessionally and had lacked accurate information about the country's economic situation.

Mr Roman has strenuously denied the charges. He says the commission's accusations are unsubstantiated and designed to undermine his position before the NSF convention.

Furthermore, Mr Roman has accused Mr Iliescu of "behaving unconstitutionally" by involving himself in the NSF's internal affairs. The president, who was a founding member of the NSF in December 1989 following the overthrow of the Ceausescu regime, has held several meetings of party leaders in the past month.

Under the Romanian constitution, the president is supposed to be above party politics.

Russians brace for flood of job losses

By John Lloyd in Moscow

THE Russian government is bracing for a flood of bankruptcies and redundancies, as large enterprises grapple with a lack of credit and investment.

The government, assisted by the central bank, is determined to stick to a policy of relatively tight monetary discipline, rejecting demands for credits from most enterprises. But it will have to face the political fallout from large job losses and the collapse of some major enterprises.

Companies now face interest rates of 50 per cent on six-month loans, and few banks will advance money for longer periods. The central bank has raised its requirements for collateral on loans to commercial banks to 20 per cent.

Enterprises are making matters worse by raising their prices beyond the reach of many consumers, instead of lowering them to ensure cash flow. They are trying to maintain prices while demanding new credits from the bank or the government as they did under the old regime. The vast majority are refusing to pay back loans or honour bills, and many are already putting their workers on reduced working schedules.

On central bank figures, overdue loans it has made have have soared from Rbs39bn on January 1 to Rbs532bn on March 10. At the same time, institutional mechanisms to channel the savings held by individuals and companies, estimated at Rbs300bn, into profitable investment have not been developed.

Mr Georgi Matiukhin, Russian central bank chairman, last month sent an appeal for help in developing such institutions as investment funds and merchant banks to Mr Frans Andriessen, deputy president of the European Commission. Mr Matiukhin was "concerned about the lack of effective mechanisms to convert savings into productive investments, and the dearth of institutions capable of attracting foreign investments".

Western economic advisers in Moscow are worried by the lack of structural reform undertaken by the government, an omission which could undercut and render useless the stabilisation programme worked out between the government and the International Monetary Fund. The IMF board is due to consider Russia's application to join the fund next week, though agreement could be stalled by an argument about Russia's ranking in the IMF league.

Mr Alexander Ruptsov, managing director of the consulting company Vneshconsult and a member of the recently created presidential Council of Entrepreneurs, said yesterday: "I would think about 80 per cent of big enterprises are now actually insolvent.

"They are not reacting in a market way, by increasing productivity or cutting labour. They are trying to borrow money to pay salaries and no one is paying their bills."

One reason for the refusal by enterprises to lower prices is the expectation of a further dramatic price rise when energy prices are freed, probably in June. The current price of oil, at Rbs350 a barrel, is expected to rise by about eight times to between Rbs2,000 and Rbs2,700 a tonne. One western expert in Moscow said yesterday: "This is the equivalent of the 1973 oil shock in the west, and more."

Privatisation, the main structural reform, has hardly happened yet, though a "showcase" privatisation of small enterprises is due to be unveiled in Nizhni Novgorod, Russia's third city.

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CSCE agrees principle of peace-keeping

By Robert Mauthner in Helsinki

FOREIGN Ministers from the 51-nation Conference on Security and Co-operation in Europe wound up a three-day ministerial session yesterday with wide agreement on the principle that the CSCE should be given a peace-keeping capability.

But Mr Paavo Vayrynen, the Finnish foreign minister, said differences had to be ironed out over the nature of the forces to be used in peace-keeping operations

This is one of the main issues on the agenda of senior officials, who will meet for the next three months to work out a blue-print for strengthening the CSCE's capacity to deal with the many European crises and conflicts of the post-cold war era. Their work will be crowned by a full-scale summit in Helsinki at the beginning of July.

Delegates said that, while there was general agreement that the CSCE was the best forum for taking the political decisions on whether peace-keeping forces were needed to settle conflicts in Europe, there was still no consensus on whether the organisation should have its own peace-keeping forces, as Mr Hans-Dietrich Genscher, the German foreign minister, has proposed.

The view of the US, Britain and several other delegations is that the CSCE does not have a military function and that peace-keeping forces should be provided, at the request of the CSCE, by other more specialised organisations such as Nato, the nine-nation Western European Union or the United Nations.

Mr Vayrynen indicated that such a solution had not been ruled out by anyone. But his own government's position, shared by a number of other countries, was that the CSCE members should each earmark national contingents for use in CSCE peace-making operations when called upon to do so.

The problem of the transcaucasian enclave of Nagorno-Karabakh, a conflict which might well require a CSCE decision to send peace-keeping forces in the near future, was again the subject of a sharp exchange between the Armenian and Azerbaijani representatives. Their statements demonstrated that the contentious issue of Nagorno-Karabakh participation in the 10-nation CSCE peace conference, due to be held in Minsk at a date yet to be decided, was far from settled, in spite of Tuesday's agreement by the disputing parties to attend.

Mr Raffi Hovanissian, the Armenian foreign minister, reiterated his demand that Nagorno-Karabakh should be represented separately and independently at the conference.

But Mr Albert Salamov, Azerbaijan's deputy foreign minister, insisted that the enclave's delegates could not attend as the representatives of "the so-called parliament" of Nagorno-Karabakh, elected after a referendum last December on independence, which Azerbaijan has declared null and void. They could only represent Nagorno-Karabakh's two ethnic communities, he said.

Poll casts doubt on Cresson's future

Ian Davidson on the possible 'fall guy' in France's imminent government reshuffle

SPECULATION on an imminent change of government in France, already acute after the humiliating defeat of the ruling Socialist Party in last Sunday's regional elections, has assumed extra intensity after tantalising hints dropped on Wednesday evening by Prime Minister Edith Cresson.

In an impromptu exchange with TV reporters, Mrs Cresson asserted that there would be a government reshuffle, though she was unable to say how far it would go or when it would take place.

Asked about her own future, Mrs Cresson gave an even more Delphic reply. "There will be," she said, "some day, a change of prime minister. What day? I cannot tell you that either."

The plausible inference is that there is likely to be a government reshuffle quite soon, probably next week after the second round of the cantonal elections on Sunday. But Mrs Cresson's profession of ignorance as to the details may have been quite genuine.

Ever since last Sunday's electoral disaster, President Mitterrand has been engaged in intense consultations to assess the full significance of the vote. It is clear that he will respond in some way to the massive vote of no confidence.

But he may not yet have decided whether he can make do with a limited government reshuffle, to include some of the ecologists whose breakthrough was a notable feature of the protest vote in Sunday's elections; or whether he needs a full-scale change of government, starting with a new prime minister.

Four names are widely canvassed to replace Mrs Cresson, whose record-breaking unpopularity must bear some of the blame for the scale of last Sunday's defeat. Mr Jacques Delors, president of the European Commission, is credited in the opinion polls as the strongest potential socialist candidate in a future presidential election.

Mr Pierre Bérégovoy, the finance minister, can claim the credit for France's successful anti-inflation policy – though some may blame him for the rise in unemployment.

The considerable popularity of Mr Jack Lang, the minister of culture, appears unaffected by the discredit of his prime minister and his party. And the unusually seraphic smile with which, on Wednesday evening, he denied all knowledge of a change of government, has only intensified speculation that he might be Mrs Cresson's successor.

Finally, there is Mr Jean-Louis Bianco, the non-party social affairs minister. In nine years as secretary-general to the presidency, he proved his impressive administrative abilities; in the regional elections he out-performed most of the card-carrying Socialists; and the unquestioned credibility of his concern for grass-roots social issues must be an asset in a new-look government.

Before making up his mind, President Mitterrand will wait to see what happens in today's inaugural sessions of the 22 newly elected regional councils when they elect the council presidents (equivalent to regional chief executives).

The conservative opposition parties used to control 19 of the 22 regions, and they did better than any other single party on Sunday. But their share of the vote was eroded by the surge by minority parties, and they will only be able to retain control through coalitions. A key test of Sunday's vote, therefore, will be whether they succumb to the temptation to form alliances with the extreme right-wing National Front, despite solemn undertakings not to do so.

This dilemma may put considerable strain on the alliance between the two component parties in the conservative Union pour la France (UPF), the centre-right UDF umbrella grouping led by former President Valéry Giscard d'Estaing, and the RPR Gaullist party led by Mr Jacques Chirac.

President Mitterrand will want to refine his judgment of the regional elections still further by waiting for the second round of voting on Sunday in the cantonal elections. Here the Socialists are likely to do less badly than in the regional elections, because the majority voting system favours larger parties.

Edith Cresson: record-breaking unpopularity

Amsterdam may not act on car ballot

By Ronald van de Krol

AMSTERDAM'S citizens showed so little enthusiasm for Wednesday's non-binding referendum on the future of car traffic in their city centre that the authorities may not act on the slim majority of the ballot.

Just under 27 per cent of the 600,000 eligible voters turned out for the referendum, the first in the city's history. Of these, 52.9 per cent favoured halving inner-city parking spaces and other measures to cut car traffic 60 per cent by the end of the 1990s.

The referendum gave residents the choice between existing policies, which aim to achieve a more gradual decline in car traffic, and a more radical plan virtually to ban most cars from the canal-lined city centre.

Amsterdam's city politicians say they will consider the views of those who voted but the limited response has reduced pressure on them to ban cars immediately. The council decided to hold the referendum as a way of reversing the widespread apathy seen in the 1990 municipal elections.

NEWS IN BRIEF

Yugoslavia urges prompt UN action

Bomb blasts and shooting rocked Bosnia-Hercegovina yesterday as Yugoslavia urged the United Nations to speed up deployment of its peace-keeping force, Reuter reports from Belgrade.

At least 30 people have been killed this week in an upsurge of violence in Bosnia and Croatia that has caused concern that the arrival of the UN peace-keeping troops could be delayed.

In Helsinki, Yugoslavia urged special envoy Cyrus Vance and secretary-general Boutros Boutros Ghali to arrange for the main part of the UN's 14,000-strong peace-keeping force to arrive before the planned starting date of April 5.

Ice cream battle hots up

The men from Mars may face melt-down in the German ice cream market, writes Christopher Parkes in Bonn. Langnese-Iglo and Schöller, which dominate the local impulse ices trade, are not going to give up control without a fight.

They yesterday accepted an initial European Commission finding that their exclusive sales deals with retailers – which effectively froze Mars, Bounty and Milky Way ice cream bars out of most German shops – broke EC competition rules.

However, both groups pointed out that they still retained their most important marketing weapon: the right to stock their own products in their own freezers.

NOTICE OF REDEMPTION

JAPAN AIR LINES COMPANY, LTD.
(Nippon Koku Kabushiki Kaisha) (the "Company")
U.S. $42,150,000 10 7/8 per cent.
Guaranteed Bonds due 1998 (the "Bonds")

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate amount of $3,350,000 have been drawn for redemption on April 28, 1992 (the "Redemption Date") for the account of the Sinking Fund at a redemption price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL NUMBERS OF BEARER BONDS CALLED FOR REDEMPTION
10.875% Due: 04/28/1998 ($5,000.00 each)

11	549	1035	1548	2134	2739	3421	3978	4538	5080	5593	6280	6780	7386	7879
16	579	1051	1551	2139	2749	3430	3990	4542	5090	5594	6283	6783	7405	7899
20	581	1056	1567	2146	2769	3432	3996	4571	5095	5595	6285	6807	7412	7904
23	584	1057	1580	2149	2776	3457	4018	4587	5105	5599	6287	6814	7424	7908
30	592	1060	1599	2194	2777	3467	4025	4591	5107	5600	6289	6829	7428	7934
67	599	1074	1606	2207	2782	3477	4045	4609	5108	5605	6294	6836	7434	7947
73	601	1075	1615	2219	2794	3513	4052	4611	5126	5624	6301	6847	7435	7971
92	620	1076	1624	2221	2800	3519	4090	4614	5132	5648	6316	6858	7458	7989
98	639	1080	1629	2224	2809	3520	4093	4619	5155	5652	6339	6877	7462	7994
105	640	1093	1631	2234	2827	3521	4101	4626	5161	5658	6357	6879	7465	8003
110	642	1099	1632	2241	2829	3541	4102	4638	5169	5689	6365	6881	7497	8020
132	697	1111	1638	2244	2849	3557	4106	4648	5180	5696	6369	6888	7498	8047
159	698	1138	1644	2265	2862	3558	4107	4652	5184	5699	6371	6889	7520	8049
166	707	1141	1649	2275	2867	3570	4121	4658	5190	5714	6391	6895	7529	8073
167	709	1144	1650	2283	2875	3577	4147	4659	5192	5738	6405	6898	7536	8080
189	725	1149	1660	2291	2876	3592	4149	4660	5200	5763	6420	6905	7544	8094
191	728	1150	1672	2320	2881	3598	4166	4662	5218	5790	6425	6928	7556	8098
192	729	1158	1696	2323	2896	3599	4176	4669	5223	5813	6430	6951	7557	8121
194	742	1161	1705	2327	2942	3715	4194	4740	5230	5819	6432	6967	7558	8142
212	757	1175	1716	2343	2945	3722	4200	4775	5245	5828	6456	6974	7586	8147
256	767	1186	1728	2347	2952	3725	4216	4778	5257	5831	6481	6978	7605	8149
257	771	1193	1742	2360	2966	3744	4218	4785	5273	5841	6499	6979	7627	8157
275	772	1228	1759	2393	3054	3759	4221	4801	5292	5921	6507	6990	7634	8161
276	787	1230	1763	2395	3074	3772	4256	4831	5294	5944	6509	7014	7635	8172
283	792	1232	1765	2414	3096	3785	4264	4837	5315	5946	6515	7027	7642	8199
296	807	1242	1769	2415	3113	3788	4274	4840	5316	5984	6516	7044	7687	8213
336	815	1248	1805	2420	3115	3789	4317	4853	5329	5999	6520	7054	7724	8227
371	817	1260	1860	2429	3122	3796	4321	4871	5341	6061	6612	7060	7725	8237
379	841	1265	1897	2464	3157	3814	4329	4903	5342	6084	6620	7081	7744	8248
391	846	1269	1915	2469	3167	3816	4336	4904	5343	6094	6644	7090	7746	8251
404	858	1286	1918	2471	3175	3820	4345	4909	5348	6098	6646	7096	7755	8257
423	881	1309	1920	2531	3182	3871	4357	4923	5350	6103	6655	7104	7763	8259
428	890	1347	1929	2543	3203	3899	4369	4936	5429	6108	6663	7111	7778	8261
444	913	1354	1932	2555	3224	3902	4397	4938	5441	6122	6686	7128	7784	8281
449	924	1375	1948	2571	3245	3910	4409	4957	5442	6157	6697	7136	7786	8293
456	929	1379	1972	2583	3256	3913	4445	4972	5455	6200	6705	7149	7789	8296
458	941	1386	1985	2601	3258	3915	4455	4973	5463	6204	6707	7151	7791	8302
469	947	1387	2002	2628	3262	3923	4468	4979	5466	6206	6710	7158	7812	8326
478	948	1467	2020	2639	3270	3935	4470	4994	5489	6208	6721	7171	7818	8347
491	952	1470	2035	2648	3315	3946	4480	5016	5502	6220	6741	7174	7819	8352
503	966	1477	2050	2657	3317	3950	4512	5028	5518	6236	6751	7182	7840	8378
527	970	1501	2057	2668	3327	3964	4514	5037	5543	6238	6761	7184	7842	8387
535	979	1502	2085	2694	3332	3965	4521	5042	5565	6257	6776	7196	7864	8396
542	998	1529	2101	2718	3344	3966	4531	5060	5574	6270	6778	7367	7871	8405
545	1006	1543	2127	2731	3400	3977	4534	5061	5590					

Payment of the Redemption Price will be made upon presentation and surrender of the Bonds called for redemption, together with all coupons appertaining thereto maturing after April 28, 1992, at the principal office in the city indicated of any of the following Paying Agents.

The Bank of Tokyo, Ltd. in Paris
The Industrial Bank of Japan, Ltd. in London
The Bank of Tokyo, Ltd. in Brussels
The Industrial Bank of Japan (Luxembourg) S.A. in Luxembourg
Bank of Tokyo (Switzerland), Ltd. in Zurich
Industriebank von Japan (Deutschland) A.G. in Frankfurt/Main

On and after the Redemption Date, interest on the Bonds to be redeemed for this Sinking Fund will cease to accrue. The coupon for interest payable on April 28, 1992 should be detached and presented for payment in the usual manner.

JAPAN AIRLINES COMPANY, LTD.
By: The Bank of Tokyo Trust Company
as Fiscal Agent

Dated: March 27, 1992

Libya claims blackmail at International Court

By Ronald van de Krol in The Hague

LIBYA WENT to the International Court of Justice yesterday seeking an emergency injunction to restrain the US and Britain from using force or imposing sanctions in their campaign to get Tripoli to surrender two Libyans alleged to have been involved in the Lockerbie bombing.

In its application, Libya requested that the US and Britain be told to stop "taking any action against Libya calculated to coerce or compel Libya to surrender the accused individuals to any jurisdiction outside of Libya."

Libya saw "no reason why it should give into this illegal and arbitrary blackmail," Mr Mohammed Al-Fatouri, Libya's ambassador to Brussels, said.

Addressing the court's 16 judges in the main chamber of the Peace Palace, the court's seat in The Hague, Mr Al-Fatouri drew attention to what he called the "progressively more explicit threats" from the US and Britain."

He recalled in court that Libya had been the target of US air raids in 1986, when the US had linked Libya to the bombing of a Berlin disco frequented by US servicemen.

Professor Ian Brownlie, an Oxford law don speaking on behalf of Libya, described the refusal by high-ranking officials such as President George Bush and Vice-President Dan Quayle to rule out the use of force, coupled with their demands for extradition of the two Libyans, as a "pattern of ultimatums not seen for some decades".

Britain said the case was an attempt by Libya to ward off UN Security Council-mandated sanctions. Mr Frank Berman, a Foreign Office legal advisor, told the court that the case was "directed at interfering with the function and prerogatives of the Security Council under the United Nations charter".

Professor Rosalind Higgins, counsel for the UK, said Libya's request for provisional measures were too "vague, imprecise and unsuitable" to be ordered by the World Court.

Mr Alan Rodger, solicitor general for Scotland, said Libya's legal reasoning was fundamentally flawed. "Libya will say anything, however inconsistent, to postpone the day that it may have to accept responsibility for its actions."

The hearings are expected to continue today but it is likely to take at least several weeks before the court rules on Libya's request for "provisional measures".

The US, Britain and France have already said that they will not wait for the verdict before putting a sanctions resolution before the Security Council.

Lonrho hotel deal could fall foul of US embargo

By Mark Nicholson, Middle East Correspondent

THE US is seeking further details on the Lonrho sale of a share of Metropole Hotels to Libya before deciding whether the deal brings the hotel group under the terms its six-year-old embargo on US dealings with Libyan institutions.

US companies and individuals would be barred from doing business with the hotel chain if the US Treasury's Office of Foreign Asset Control (OFAC) decides the deal brings the hotels under the embargo's terms. Breach of the embargo is punishable by large fines or even prison sentences.

The US ban on dealings with Libyan interests was established in 1986 after US intelligence alleged Tripoli was behind the terrorist bombing of a nightclub in Berlin which killed a US soldier and wounded 60 American citizens.

More than 60 companies are on the OFAC list of proscribed institutions – most of them wholly Libyan owned or controlled.

US officials said yesterday it was unclear whether the state-run Libyan Arab Foreign Investment Company's one-third share of Metropole Hotels was enough to make it count in OFAC's eyes as a Libyan entity.

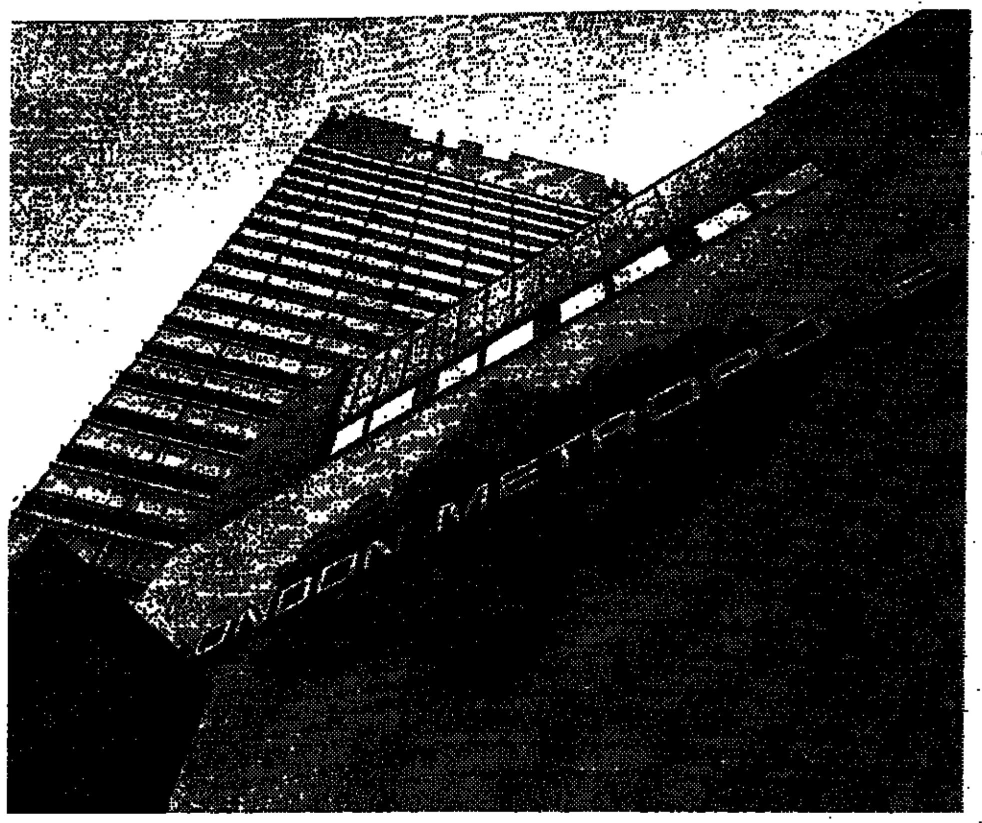
OFAC blacklisting could bar US citizens from staying in Metropole hotels, mostly in Africa and the UK.

The US is so far the only country barring trade with Libya, although the EC has had an arms embargo in place since 1986 and restrictions governing the number and movements of Libyan diplomats.

Many observers suggested that Libya's willingness to go ahead with the deal indicated that Tripoli was confident the United Nations would not impose a full trade embargo or freeze on Libyan assets to follow the arms and civil air ban likely soon to be voted upon by the Security Council.

British officials say they will rule out no measures to increase pressure on Tripoli to hand over for trial in the west suspects in the 1988 Lockerbie bombing and that of a UTA airliner over Niger in 1989, but suggest that an assets freeze would by no means be the next step.

Libya has nevertheless shifted up to $3bn of its liquid assets out of British and other European banks to safer havens in the Middle East.



UN DRAFT RESOLUTION DETAILS HOW THE PROPOSED SANCTIONS WOULD WORK

Extracts from the draft resolution for UN sanctions against Libya:

The Libyan government must commit itself definitively to cease all forms of terrorist action and all assistance to terrorist groups... [the Security Council] decides that all states shall adopt the measures set out below, until the council decides that the Libyan government has complied. All states shall:

(a) Within 24-hours of the adoption of this resolution deny permission to any aircraft to take off from, land in or overfly their territory if it is destined to land in or has taken off from the territory of Libya, unless the particular flight has been approved on grounds of urgent humanitarian need;

(b) prohibit, by their nationals or from their territory, the supply of any aircraft or aircraft components to Libya, the provision of engineering and maintenance servicing of Libyan aircraft or aircraft components, the certification of air-worthiness for Libyan aircraft, the payment of new claims against existing insurance contracts, and the provision of new direct insurance for Libyan aircraft;

Decides further that all States shall: (a) prohibit any provision to Libya by their nationals or from their territory of arms related material of all types, including the sale or transfer of weapons and ammunition, military vehicles and equipment, paramilitary police equipment, and spare parts for the aforementioned, as well as the provision of any types of equipment, supplies and grants of licensing arrangements, for the manufacture or maintenance of aforementioned;

(b) prohibit the provision to Libya by their nationals or from territory of technical advice, assistance or training related to the provision, manufacture, maintenance, or use of the items in (a) above;

(c) withdraw any of their officials or agents present in Libya to advise... on military matters.

Decides also that all states shall:

(a) significantly reduce the number and the level of staff at Libyan diplomatic missions and consular posts;

(b) restrict the movement within their territory of all remaining Libyan staff at Libyan diplomatic missions and consular posts;

(c) prevent the operation of all Libyan Arab Airlines

(d) take all appropriate steps to deny entry to or expel Libyan nationals who have been denied entry to or expelled from other states because of their involvement in terrorist activities.

UN set to defer sanctions vote to next week

By Michael Littlejohns, UN Correspondent, in New York

THE US Britain and France yesterday resumed their drive for UN-mandated sanctions against Libya, but diplomats said last night that formal debate and a Security Council vote would be deferred until next week.

They brushed aside a report that Colonel Muammer Gadaffi was again offering to turn the accused Lockerbie bombers over to the UN. Mr Boutros Boutros Ghali, the UN Secretary General, had already rejected that idea, insisting that Libya comply with an earlier Security Council resolution which called for surrendering the alleged terrorists to Britain or the US.

When, earlier this week, Libya appeared willing to let the Arab League take custody of the accused men, Mr Ghali stressed that they still must be transferred to British or American legal authorities – something which Colonel Gadaffi still appears unwilling to do.

Their patience with Colonel Gadaffi now just about exhausted, western delegates said last night that punitive measures were the only recourse.

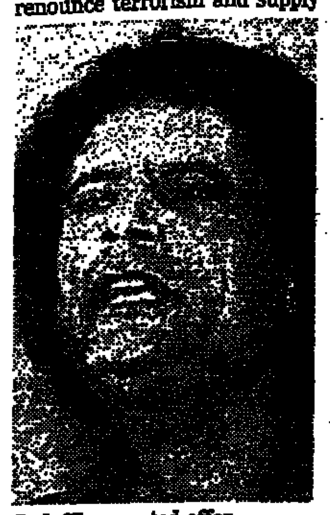
Delegates on all sides seemed more than confident that a sanctions resolution drafted by the western permanent members would pass by a sizeable majority. The text was still subject to revisions, taking account of some reservations voiced by China and non aligned members.

Heeding the concerns of Libya's neighbours that sanctions could adversely affect them, the sponsors added a paragraph to the original text promising "special attention for states experiencing "special economic problems" because of the embargo.

As drafted, the resolution would apply a mandatory ban under the enforcement provisions of the UN Charter on civil aviation links with Libya, prohibit sales of aircraft, parts and arms and direct governments to end Libyan diplomatic representation in their capitals.

there is no provision on the resolution that might upset Libya's reported acquisition of a big interest in Lonrho.

Libya would have to renounce terrorism and supply



Gadaffi: reported offer brushed aside

details about potential terrorists who have received training or arms from Libya .

The resolution would re affirm that "every state has the duty to refrain from organising, instigating, assisting or participating in terrorist acts in another state or acquiescing in organised activities within its territory directed towards the commission of such acts..."

According to Britain and the UN, the planting of a bomb in PanAm flight 103 in December, 1988 causing it to crash as Lockerbie with loss of 270 lives was a terrorist act master minded by the Libyans.

France has similarly accused Libya of causing the crash of a UTA airliner in Niger nine months later, but has not yet asked formally for the extradition of the suspects.

Japan's electronics groups face price-fixing inquiry

By Robert Thomson in Tokyo

JAPAN'S Fair Trade Commission has struck at the heart of the country's distribution system, launching an investigation into alleged domestic price fixing by subsidiaries of four leading electronics companies, Matsushita Electric Industrial, Toshiba, Sony and Hitachi.

In the past, the FTC has been condemned by Washington for failing to investigate leading manufacturers' alleged maintenance of high retail prices on the domestic market, allegedly to provide them with profits needed to expand their international market share.

FTC investigators raided distribution subsidiaries of the four companies over the past two days, following claims that they had drawn up price schedules for product discounts. The companies allegedly controlled retailers' advertised discounts to try to lift prices in the face of slowing domestic demand and product oversupply.

It is also alleged that some retailers, who did not abide by the discount schedules, were told that the supply of consumer audio-visual equipment would cease unless they obeyed the distributors' demands.

All four companies confirmed that subsidiaries were raided and said they were co-operating with the FTC, but none would comment on the substance of the allegations. The FTC said an investigation was under way and could take several months.

The investigation comes at a difficult time for Japanese electronics companies, which are expecting sharply lower profits this year because of a downturn in domestic and international demand. The move also highlights the growing role of the FTC, Japan's anti-monopoly body, whose number of formal cease-and-desist orders rose from only five in 1988 to 24 last year.

A rush of new electronics releases on an already weak market has forced heavy discounting within Japan in order to clear old stock, though manufacturers are known to be concerned that excessive discounting could damage their products' image and change consumer perceptions about "acceptable" retail prices.

Prices of video cameras, video-cassette recorders and televisions have fallen by as much as 35 per cent over the past year, creating friction between specialist discount shops, which offer the largest cuts, and shops tied to manufacturers, which are under pressure to support prices in return for privileged access to products.

Eight sales companies run by Matsushita were investigated, and a company spokesman said that "we are taking the investigation very seriously". Two Toshiba subsidiaries, Toshiba East Japan Home Electronics and Toshiba Central Home Electronics, are also under investigation, as is Hitachi Home Electronics and a Sony subsidiary.

The companies are part of the manufacturing *keiretsu* groups targeted by US trade negotiators as a structural barrier to imports. US officials say the parent company's control over product distributors leads to agreements, either explicit or implicit, that restrict imported goods' market access.

Hitachi Home Electronics said it abided by anti-monopoly laws and was "not aware" of price restrictions.

If the FTC concludes that the companies have attempted to fix prices, it will issue a cease-and-desist order, but will not impose a fine. If that order is ignored, the FTC can launch a criminal action.

Zimbabwe riot police entered a Harare supermarket yesterday to restore order after rampaging customers tried to seize limited supplies of maize meal and sugar. Food is in short supply because of severe drought.

Syria to buy Chinese nuclear reactors

By Lara Marlowe in Beirut

SYRIA'S parliament has approved draft agreements for the purchase of two small nuclear reactors from China, the Lebanese newspaper Al Hayat reported yesterday.

Damascus promised to sign the nuclear non-proliferation treaty during a recent visit by Mr Hans Blix, director of the UN's International Atomic Energy Agency (IAEA).

In exchange for its compliance, Syria will be allowed to operate a 24 megawatt Chinese-made research reactor under IAEA supervision, according to Al Hayat.

Syria also announced this week it had established diplomatic relations with the Moslem former Soviet Republics of Turkmenistan and Uzbekistan during a tour of central Asian republics by Mr Farouk Al-Sharaa, the Syrian foreign minister.

Mr Al-Sharaa will also visit Armenia, Azerbaijan and Ukraine. He is accompanied by officials from the ministries of planning, economy, agriculture, information, culture and energy.

Syria has a substantial Armenian population and established diplomatic relations with Armenia this month.

Before the break-up of the Soviet Union, Moscow was Syria's principal arms supplier and a leading trade partner. Syria's diplomatic initiative may be an attempt to restore military and commercial exchanges with the independent republics.

S Korea ruling party clings to power

By John Burton in Seoul

SOUTH Korea's Democratic Liberal Party (DLP) yesterday regained a shaky grip on power by persuading two independents to join the party, giving it a bare majority following Tuesday's National Assembly election.

The DLP originally won 149 seats out of 299 in the poll.

However, there are signs that the party could be heading for a split. Rival factions within the party blame each other for the loss of 50 assembly seats.

Mr Kim Young Sam, the DLP executive chairman who headed the election campaign, refused to accept responsibility for the party's poor performance.

Mr Kim defended his record in a bid to save his chances of becoming the party's nominee in December's presidential election. His opponents within the DLP are demanding his resignation.

In an attack on the supporters of President Roh Tae Woo, Mr Kim blamed the government's unsuccessful economic policy, rather than the DLP's election strategy.

There has been friction between the Kim and Roh factions within the DLP since Mr Kim's opposition group joined the ruling party in 1990.

President Roh and Mr Kim are to meet today to discuss the post-election situation. Mr Kim and his supporters might leave the DLP if he is forced to resign as party co-chairman and be denied the presidential nomination.

Tokyo sees sharp fall in housing land prices

By Steven Butler in Tokyo

RESIDENTIAL land prices fell in Japan last year by 5.6 per cent, the first decline in 17 years, the National Land Agency said yesterday.

The decline in prices comes after a period in which the Bank of Japan held interest rates high in order to deflate an enormous speculative bubble in asset prices left over from the 1980s.

Residential land in the Osaka area plunged 22.9 per cent in value, while the Tokyo area suffered a 9.1 per cent decline. The average decline in Japan's three largest cities, including Nagoya, was 12.5 per cent.

Industry specialists, however, said the government statistics appeared to have significantly understated the actual declines, which they put closer to 30 per cent.

The land agency said prices in other cities continued to rise, by 2.3 per cent, although this was well below the 13.6 per cent rise recorded a year earlier.

Commercial land prices nationwide declined by 4 per cent, while the prices in the three largest cities fell by 10.3 per cent.

Although the decline in city land prices appears sharp, it reverses even steeper rises in earlier years. The 32.9 per cent decline in Osaka, for example, followed prices increases of 32.7 per cent, 56.1 per cent, and 6.5 per cent in the previous three years.

● Sales at Japan's large retailers in February grew by 1 per cent in February, compared to a year ago, after adjusting for the extra business day due to the leap year, the Ministry of Trade and Industry said.

The figures are consistent with other recent data showing a slowdown in consumer spending. Foodstuff sales were brisk, while sales of clothing, and high-priced items such as artwork or jewellery were slack.

Ministry to investigate stockbroker

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance is to investigate an alleged loss-compensation guarantee by Yamatane Securities, a second tier broker, in connection with manipulation of a client's investment account.

Mr Nobuhiko Matsuno, head of the ministry's securities bureau, said they would search for a written contract guaranteeing compensation, which is outlawed by last year's Securities and Exchange Law.

Brokers manipulated clients' accounts in order to help dress losses by transferring loss-making investments from one client to another. Brokers, under great pressure from clients, transferred investments in the hope that the stock market would eventually recover.

The continuing slump in prices has broken the cycle, with investors refusing to accept loss-making portfolios.

Indonesia disbands $4.75bn aid donor group

By William Keeling in Jakarta

THE Indonesian government yesterday called in ambassadors from leading donor countries following its unilateral decision on Wednesday to dissolve the Inter-Governmental Group on Indonesia (IGGI), the forum through which aid is pledged.

Last year $4.75bn (£2.74bn) was pledged through the IGGI, but Jakarta has disbanded it after accusing the Netherlands, which chairs the group, of political intimidation. The Netherlands is currently financing 175 projects in Indonesia involving about 250 foreign experts, all of which have to be terminated within a month. The decision is likely to disrupt work on aid-related projects including education, family planning and development.

The Indonesian government said it was reviewing projects financed by the Netherlands. Some would be financed with aid from other donors or funds from the Indonesian government itself and others would probably be postponed.

Mr Moerdiono, the state secretary, said relations between Indonesia and the Netherlands, the former colonial power, had "deteriorated sharply as a consequence of the reckless use of development assistance as...a tool for threatening Indonesia".

He said a letter rejecting new and continuing Dutch aid had been delivered to Mr Ruud Lubbers, the Dutch prime minister, although he stressed all debt repayments would be met.

He cited the Netherlands' review of future aid following the killing of civilians by security forces in East Timor last November, and Dutch criticism of the execution in 1990 of six prisoners accused of participating in the 1965 coup attempt, as examples of intimidation.

In its official response, the Dutch government said yesterday it was disappointed with the decision and "deeply regretted the words in which it was phrased".

Mr Moerdiono said that Japan and US, the two leading bilateral donors, had been informed of the decision, although western diplomats in Jakarta described the announcement as a complete surprise. They said the move raises questions over future aid from Canada, which pledged $40m last year but is also reviewing new aid following the East Timor shootings. Indonesian government officials denied that similar action against Canada was planned.

Indonesia has a public and private international debt of about $65bn and, with a debt service ratio approaching 30 per cent of export earnings, aid-flows are an important source of foreign exchange.

For the 1991-92 financial year (ending in April), the Netherlands had pledged $91m, behind Japan ($1.3bn), the US ($133m) and France ($111m). The World Bank pledged $1.6bn and the Asian Development Bank, Indonesia's main multilateral donors, $1.1bn.

NEWS: AMERICA

Brazil eager for Bush to attend environment talks

US presence at Earth summit vital – Collor

By Christina Lamb in Brasilia

BRAZILIAN president Fernando Collor warned yesterday that the presence of US president George Bush at the World Environment Conference would be the "decisive" factor for its success.

Mr Collor told foreign journalists he had called Mr Bush on Wednesday to lobby for his presence at the conference in Rio de Janeiro in June. "I asked him to strongly consider attending," said Mr Collor. "His presence is decisive because it would send a strong signal to the world of the importance of a global approach to environmental problems."

Mr Collor added that he had urged Mr Bush to help end the current impasse over CO2 emissions. "A decision by the US government to reduce emissions would have extraordinary dimensions," he said.

Mr Collor said he had dismissed his environment minister, Mr Jose Lutzenberger, last weekend to ensure that Brazil's own position was coherent. "Unfortunately differences had developed between Lutzenberger's declaration and the position elaborated by the government. If we'd had more time we could have talked it out but I didn't think we could arrive at the Earth Summit with different positions."

Mr Collor said he was confident his economic reform programme was taking hold. "Today you can talk to anyone in Brazil and they will be more optimistic, believing that we're on the right road. It is a very different mood to that last October, when everyone was warning of hyper-inflation and imminent collapse."

He added that the image abroad of Latin America's largest economy was also improving. "This is reflected in the level of private investment, which last year reached almost $12bn [£7bn] and by our foreign exchange reserves, which now stand at $13bn-$14bn – levels not reached for 20 years."

He dismissed doubts that Brazil would fail to meet fiscal targets set down in its accord with the International Monetary Fund in January. "We are only assuming promises that we can meet... that is the big change in our international negotiations," he said.

But he admitted that the IMF had expressed concern over last month's sharp drop in tax revenues and 48 per cent real increase in domestic debt. "You cannot analyse Brazil's behaviour based on just one bad month," he said, adding that from April the government would have increased tax resources after a reform recently passed by Congress.

Mr Collor was pleased with the progress of negotiations under way with creditor banks over Brazil's $52bn commercial debt, though he refused to predict a settlement date. "Obviously it would be great if we could close an accord today or before the Inter-American Development Bank meeting on April 6, but what I'm most preoccupied with is that the agreement meets the interests of all those concerned."

Play Ball! means several things in Seattle

Martin Dickson watches the final innings of a game affecting US-Japanese relations

ON THE southern edge of central Seattle, the pre-eminent city of the US Northwest, stands an ugly, concrete-domed sports stadium, with all the visual charm of a deflating soufflé. The Kingdome, as unlikely as it may seem, has become the microcosm of America's tussle between Japan-bashing xenophobia and a cosmopolitan view of the world.

The stadium is home to the Seattle Mariners baseball team, and the ruling authorities of the US national sport must decide whether to approve a controversial plan by a Japanese-backed group of local businessmen to buy the team.

The saga not only illustrates the remarkably strong ties that bind Seattle with Japan, it also highlights the chauvinistic tendencies of the men who own America's top baseball teams, and, since the game is a defining element of US popular culture, says something about the isolationist tendencies of the nation as a whole.

The Mariners, one of the least successful teams in the major leagues, were put up for sale in December by their owner, Mr Jeff Smulyan, a businessman in the broadcasting industry who needed to repay a large bank loan. He gave the city until today to come up with a new local owner or see the franchise move elsewhere.

A group calling itself the Baseball Club of Seattle duly bid $100m (£57.8m) and said it would plough a further $25m into improving the team. The group included a clutch of local worthies, such as Mr Frank Shrontz, chairman of aircraft manufacturer Boeing, but 60 per cent of it was owned by Japan's Yamauchi family, founders of the Nintendo video-game company.

Nintendo – whose US headquarters in Seattle oversees 80 per cent of the American video-games market – became involved after being approached by Mr Slade Gorton, a US senator representing Washington state. The family's stake in the team would be managed by Nintendo of America president Minoru Arakawa, son-in-law of the company's founder. But the Yamauchis, to counter US fears of Japanese domination, agreed to stringent policy controls by the minority owners.

However, none of this cut much ice with Baseball Commissioner Fay Vincent, nor with other team-owners, who have to approve the sale. Mr Vincent noted baseball's tradition of not approving investors from outside the US and Canada; owners cited local ownership.

The bid also provided a fresh target for US resentment of Japan, since it followed numerous Japanese acquisitions of such well-known US institutions as New York's Rockefeller Center and California's Pebble Beach golf course.

Seattleites argued that their bid would put the Mariners under local interests for the first time. Mr Arakawa might be Japanese but he had lived in the city for 15 years. This was more than could be said of Mr Smulyan, who hailed from Indiana, or the previous Californian owners.

US newspapers weighed in on Seattle's side. One accused the authorities of acting like a "snobbish country club" and argued that involvement by the Japanese, who have their own popular baseball leagues, could enrich the game and make it more appealing internationally. Club owners may well have felt that deep-pocketed foreigners would simply push up the already steep cost of hiring the best talent.

Negotiations dragged on and on, but there now are some indications that a compromise can be struck. This could involve the authorities' accepting a deal in return for cosmetic changes to reduce the Nintento stake to around 50 per cent. Such an outcome would represent a triumph for Seattle and its long tradition of links with Asia, especially Japan. Sen Gorton said of the bid: "The Pacific Northwest looks outward. This is a partnership made in heaven for the Pacific Northwest."

The region's ties with Japan began to flourish a hundred years ago, with the export of northwestern timber, agricultural products and minerals, and Japan today remains Washington state's largest single trading partner, accounting for some $5.5bn, or 22 per cent,

Arakawa: local man

of the state's exports in 1990. The adjacent ports of Seattle and Tacoma, comprising one of the largest shipping complexes on the west coast, are big importers of Japanese goods, while the region's Sea-Tac airport is becoming an increasingly important hub for Asian flights for flights to and from the Far East.

With trade came people. More than 11 per cent of Seattle's population is of Asian origin, mostly from Japan, China and the Philippines. There are 34,000 people of Japanese origin in Washington state, mostly Japanese-Americans whose parents or grandparents had been interned by the US during the Second World War. The state's Japanese population ranks jointly with New York as the third largest in the US, after California and Hawaii.

Cultural ties are strong: Seattle's new art gallery boasts one of the best Japanese collections in the US, while Washington state has the highest number of high schools offering Japanese language studies. You can buy a plate of Japanese noodles from a stand at Sea-Tac airport or take part in a cherry blossom festival in suburban Bellevue.

Morevoer, the Mariners row could prove yet another opportunity, whatever the baseball authorities decide: recent developments could eventually translate into greater Japanese interest in the area. Mr Bill Stafford, executive director of the Trade Development Alliance of Greater Seattle, says businessmen returning from Japan report many compliments on "Seattle's sensitive appreciation of the complexity of US-Japanese relations".

Panel seeks backing for US high-tech development

By Nancy Dunne in Washington

A PANEL representing academia, business and government yesterday said the US government should pour billions of dollars into high-technology development and into programmes which would speed the commercialisation of new discoveries.

Foreign companies would be allowed to share in pre-commercial research programmes if they make "substantial contributions" to the projects and to US gross domestic product.

Mr Harold Brown, panel chairman and former US defence secretary, called for "a new alliance between government and industry in pre-commercial areas". The panel – appointed by the National Academies of Sciences and Engineering and the Institute of Medicine – called for a $5bn (£2.8bn) Civilian Technology Corporation to hasten commercialisation of new products.

The time lag between product design and commercialisation in key US industries "significantly exceeds that of foreign competitors", according to the report, which was ordered by Congress.

The panel did not call for an "industrial policy", but if implemented, its recommendations would lead to the use of vast government resources for the advantage of US industry.

In its report, The Government Role in Civilian Technology*, the panel said the new CTC would be financed by a one-time outlay to create joint R&D ventures with the private sector. Industry would initiate the projects, and they would be "insulated as much as possible" from political influence.

The report followed a day after Mrs Barbara Franklin, the new US commerce secretary, presented her department's considerably less ambitious technology policy.

*The Government Role in Civilian Technology: Building a New Alliance. National Academy Press, 2101 Constitution Ave, NW, Washington, DC 20418.

More US interest rate cuts urged

By Michael Prowse in Washington

FURTHER reductions in US interest rates are needed to ensure recovery from recession, the joint economic committee of Congress (JEC) said yesterday in its annual economic report.

The Democrat-led committee said reductions in long-term interest rates were important if investment spending was to be revived. Long bond yields are currently just under 8 per cent, or about double the level of rates on three-month deposits.

The report urges the Treasury to reduce the "extraordinarily large gap" between short- and long-term interest rates by selling fewer long-term bonds in quarterly refinancing operations. This would "reduce the supply of long-term Treasury debt, and lead to a significant increase in bond prices that would lower long-term interest rates".

Small steps in this direction in February's refinancing had been insufficient to convince financial markets that the Treasury was serious about reducing the gap between short- and long-term rates, the report adds.

It predicts a sluggish economic recovery later this year, with fears about job security continuing to restrain consumer spending.

The report also warns that the US economy is "badly off track", and says meagre increases in productivity and an overhang of problems from the 1980s – such as heavily indebted individuals and companies – point to weak growth in the 1990s.

Government at all levels needed to invest in "infrastructure, education and training, and research and development, which have been neglected over the past decade". To achieve this, while also reducing the budget deficit, the committee advocates the scrapping of budget rules that currently prevent a sizeable shift in spending from military to domestic programmes.

● The US economy grew at an annual rate of 0.4 per cent in the fourth quarter of last year, half as fast as previously estimated, the Commerce Department said yesterday. The weak growth followed increases in GDP of 1.4 per cent and 1.8 per cent at an annual rate in the second and third quarters of last year.

The decline in estimated growth in the fourth quarter mainly reflected downward revisions to net exports and business inventories.

For 1991 as a whole, GDP fell 0.7 per cent, the first decline since 1982, when the economy contracted by 2.2 per cent.

No resigning, no devaluing, says Cavallo

MR Domingo Cavallo, Argentina's economy minister, yesterday denied rumours that he would resign, run for president, or devalue the currency, after sealing a $31bn (£18bn) foreign debt restructuring agreement, John Barham writes from Buenos Aires.

Mr Cavallo's success in reforming the economy has made him the most popular member of the government – more popular than President Carlos Menem.

Mr Cavallo said he would run for governor of his home province of Cordóba in 1995.

NEWS: WORLD TRADE

Mongolia's trade drops by half

By Alexander Nicoll, Asia Editor

MONGOLIA, which did 97 per cent of its trade with Comecon countries before the collapse of the Soviet Union, is struggling to find new markets and to counter severe shortages of essential goods.

According to Mr S. Bayarbaatar, minister of trade and industry, the country's trade contracted by half last year to about $750m. The share of former Comecon countries has dropped to 70 per cent but remained as high as that because of dependence on Russian oil. However, shipments of oil have been suspended since December because of contractual problems.

Few countries have embarked on more sweeping economic reform in the face of more obstacles.

The Mongolian government's structural adjustment programme, enacted with the advice of the International Monetary Fund, includes price liberalisation, banking reform, privatisation, control of inflation, laws to attract foreign investment, and other steps towards a market economy.

But as a land-locked country sandwiched between communist China and chaotic Russia, "we have to create a more acceptable business environment than either China or Russia," Mr Bayarbaatar said during a visit to London.

The halt in oil supplies, which has caused Mongolia to use up strategic reserves and severely limit domestic consumption, is symptomatic of the country's problems.

According to Mr Bayarbaatar, shipments stopped because it was not clear which Russian entity should sign the contract. A barter agreement has been signed, but no oil was shipped because of a dispute within Russia on who was liable for payment for shipment to the border.

Mr Bayarbaatar is travelling on to Moscow to make a new attempt to secure resumption of supplies.

Mongolia needs to import Russian petroleum products because they would be more expensive to buy elsewhere, especially if they had to be trans-shipped through Russia.

The country also needs to export copper concentrate to Russian factories, which are unable to pay for it – hence the barter agreement.

Meanwhile, shortages of essential goods in Russia are encouraging Mongolia's increasingly market-oriented traders to sell them across the border for high prices rather than at home. Flour, rice and sugar are all rationed.

Because of growing unreliability of trans-shipment through Russia, Mongolia is seeking to develop trade links through China and has high hopes of a new freeport zone planned in North Korea.

International donors last year pledged $150m to Mongolia to finance emergency imports, and will meet again in May to consider soft loans to meet the country's medium-term needs, including infrastructure, promotion of exports and import substitution.

Turkey signs $2.8bn F-16 deal with US

By John Murray Brown in Ankara

TURKEY yesterday signed a $2.8bn fighter aircraft deal with the US, using finance from a special fund set up by the US and its Arab allies in the wake of the Gulf war.

The deal under which Turkish Aerospace Industries and General Dynamics will jointly manufacture 80 F-16 fighters is the first major defence contract signed by the new Turkish government. Finance for the F-16 deal is to be provided from a $4bn Turkish Defence Fund, part of which is lodged with the Federal Reserve Bank in the US. Saudi Arabia, Kuwait and the Gulf Emirates have promised to contribute $3bn. The US is contributing around $500m to the fund – the sum approved by the US congress for foreign military sales to Turkey.

In a bid to improve its ground to air defence systems, Turkey is expected to use the fund to buy Raytheon-made Patriot missile batteries,

Turkey is already producing 160 F-16s under an earlier production agreement. In addition Turkey has secured US backing to manufacture 46 aircraft under a deal agreed between the US and Egypt.

Japanese cotton spinners threaten dumping actions

By Robert Thomson in Tokyo

JAPANESE cotton spinners are threatening anti-dumping actions against Pakistani and Indonesian yarn exporters, an unusual course for Japanese industry, generally the target of dumping allegations itself. The Japan Spinners' Association said it was preparing to file a formal action against the exporters, alleging the dumping of cut-price cotton yarn is damaging its industry.

Over the past three years, only two other dumping cases have surfaced in Japan. South Korean woollen product exporters agreed to "voluntary" limits after a threatened action, and a case against China, Norway and South Africa for alleged dumping of a ferro-alloy is being investigated by Japan's trade and finance ministries.

The textile cases reflect the problems traditional Japanese manufacturers face. Mr Takateru Tobitani, managing director of Shikibo, a leading spinner, has said Japanese companies are "in a similar situation to US car makers"; the local industry cannot compete with cheaper imports.

"Japan's textile market is basically a free market, and cheaper imports from Pakistan and Indonesia have increased sharply," he said. Japanese spinners say they would like "voluntary" accord with the two countries, but "we don't want Pakistan to think we will not take action". Pakistan hopes for an agreement soon.

Electronics companies deny infringement of US patents

By Steven Butler in Tokyo

JAPANESE electronics companies yesterday denied they had violated patents related to charge coupled devices – a basic component of video cameras and photocopy machines – held by Loral Fairchild, subsidiary of the US defence electronics company Loral.

Loral has brought a suit in the US against a range of Japanese and Korean companies, including market leaders such as Sony, Matsushita and Canon, over alleged patent infringements. Loral is claiming billions of dollars in damages.

Charge coupled devices (CCDs) are electronic eyes that sense visual images and translate them into electronic signals.

The suit is reminiscent of a recent action by Honeywell of the US against Minolta, the camera-maker, over auto-focus cameras which led to an out-of-court settlement for $127.5m after the court ruled against Minolta. Honeywell has also filed suits against other camera makers.

The Japanese companies appeared unclear yesterday precisely why Loral Fairchild believed its patents had been infringed. They said the technology for CCDs was based on licences from American Telephone & Telegraph, and said they had no case to answer.

Uruguay Round talks halted in their tracks

By Frances Williams in Geneva

NEGOTIATIONS on reducing tariffs in the Uruguay Round of trade talks under the General Agreement on Tariffs and Trade (Gatt) have ground to a halt because of unresolved differences between the US and EC. The March 31 deadline for completion of the tariff negotiations, an integral part of the Round, is now certain to be missed and with it the Easter deadline for concluding the Round as a whole.

All four "tracks" of negotiations intended to achieve a successful outcome to the Round are in trouble. Apart from the detailed bargaining on tariffs and market access for goods (track 1), the country-by-country talks on services (track 2) are also way behind schedule.

Even the formal legal drafting exercise (track 3) is proving controversial, as some countries try to re-open issues ostensibly already settled. Finally, there has been no breakthrough in the all-important bilateral talks between the US and EC on cutting farm subsidies, which would enable the EC to subscribe to the draft Uruguay Round package of accords presented last December (track 4).

Mr Arthur Dunkel, Gatt's director-general, has already conceded that the Easter deadline could slip by a few weeks. But, by common consent, the issues at stake require not time, but political will to make the necessary compromises. Most negotiators believe that, if the farm subsidy deadlock can be broken, other problems can be solved fairly quickly.

If the Round is not completed by late spring, the negotiations are likely to go into limbo until after the US presidential election in November.

At yesterday's stocktaking meeting of the market access negotiations, many countries expressed frustration at the lack of progress because of stalemate in the US/EC bilateral talks. The outcome of these talks will largely determine the pattern of tariff reductions for all 108 participants in the Uruguay Round.

MacSharry dismisses Gatt ruling on oilseeds subsidy

By William Dawkins in Paris

MR Ray MacSharry, European commissioner for agriculture, yesterday dismissed as "not acceptable" a ruling by a General Agreement on Tariffs and Trade (Gatt) panel against the EC's new oilseed subsidy regime.

This is the clearest sign yet of the Commission's attitude to the ruling, made last week in response to a complaint by the US that its right to export soyabeans to the EC duty free would be unfairly hampered.

It indicates a hardening in the dispute between the EC and Washington over European subsidies, in the long-delayed Uruguay Round of Gatt talks. Mr MacSharry said he made no progress yesterday

MacSharry: no progress

in talks, to try to end the deadlock, with Mr Ed Madigan, US agriculture secretary, in the margins of a two-day meeting of farm ministers from the Organisation for Economic Co-operation and Development (OECD).

The European Commission was still studying the panel's conclusions, said Mr MacSharry. "On a limited reading, they're not acceptable to us, therefore there are no conclusions," he said.

He and Mr Madigan did not discuss the oilseed row. In theory, the EC must accept the panel's findings, if there is to be formal settlement.

Mr Louis Mermaz, French farm minister, and one of the staunchest defenders of the EC's agriculture policy, warned: "An excessive polarisation of Gatt talks is leading to a hardening of positions on both sides."

Singapore sets 'outstanding example' over trade policies

By Frances Williams in Geneva

SINGAPORE is "an outstanding example" of how liberal trade policies and social stability combine to promote economic success, Gatt's secretariat says in a report on the island's trade policies.

It sees Singapore as ranking among the world's most dynamic economies. Average annual growth of GDP over the past two decades has exceeded 8 per cent and per capita income is now about $10,600, (£6,127), one of the highest in Asia.

This dynamism has been founded on outward-looking policies that have encouraged speedy structural transformation, Gatt says. Singapore shifted rapidly in the early 1960s from entrepôt trade to labour-intensive manufacturing. Later, it moved to skill- and technology-intensive industries and to services,

Singapore has the highest trade-to-GDP ratio of any country in the world, with trade valued at more than three times GDP. Merchandise exports, including re-exports which account for a third of the total, have grown more rapidly than world exports in recent years, the report notes (see chart).

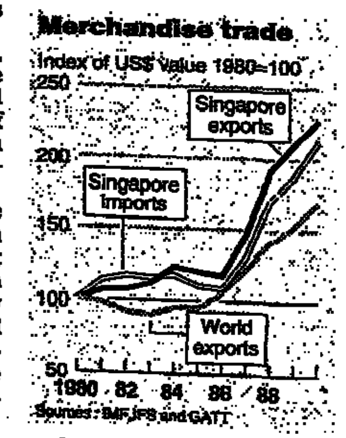
With a population of just 3m, the island ranks among the world's top 20 exporters and importers. Some 96 per cent of imports enter duty-free, with virtually no other trade barriers.

Singapore's open trade regime has been coupled with large government involvement in the private sector through tax incentive schemes for new investments and research and development, equity participation in industry and sizeable public investments in infrastructure and training.

Singapore's trading partners did not find much to niggle about in their discussion of the Gatt report yesterday. Some countries questioned the island's status as a developing country in view of its high per capita GDP, and there was criticism that Singapore had "bound" (pledged not to raise) very few of its tariffs in Gatt.

Singapore was urged to improve its offer on tariff bindings in the Uruguay Round of global trade talks, to sign up to more of Gatt's voluntary codes of trade conduct, to run a more open policy-making process and, by the US, to go further in opening its financial services and telecommunications markets in the Uruguay Round services negotiations.

Merchandise trade



The Gatt secretariat says economic prospects look promising despite slower growth last year. Domestically, the main constraints are a shortage of labour and land for expansion, which Singapore is trying to overcome by co-operation with neighbouring Malaysia and Indonesia.

Externally, Singapore's heavy reliance on international trade means its economic performance "remains crucially dependent on an open and predictable international environment".

Labour refuses to underwrite Tube project

The opposition Labour party has refused to promise government money would be used, if it is elected, to ensure the £1.3bn Jubilee Line Underground extension to London's Docklands opened on time if Olympia & York, the project's main private backer, could not provide its share of the finance.

Mr Bryan Gould, Labour environment spokesman, said it was "unwise off-the-cuff to promise a very substantial sum of further public expenditure" in the current "very difficult economic straits."

His remarks followed the Department of Transport's admission earlier this week that ministers would have to reconsider the financial future of the extension if the financially troubled property developer was unable to meet its £400m commitment.

Maxwell wine cellar auctioned

Mr Robert Maxwell's private wine collection went under the hammer as auctioneers tried to raise funds to offset the huge debts accumulated by the media magnate.

Bidders paid on average 20 per cent above the market average for bottles including an eight-bottle Imperiale 1982 Chateau Figeac which went for £650.

Curiosity value in the Maxwell cellar, which boasted 3,000 bottles and 772 magnums, pushed prices beyond trade values. The auction, held at Christie's in London, raised more than £93,000 and attracted bids from Japan, Israel and the US.

Defence groups reassured

Defence manufacturers have received a reassurance that a Labour government would not apply a freeze on contracts while it re-assessed military requirements.

Mr Martin O'Neill, chief Labour defence spokesman, also promised that the present level of defence expenditure would be available through the 1992-3 financial year. Subsequently, however, there ought to be scope for savings.

He told the Royal United Services Institute a Labour government would set up a "small group" to oversee the review, would consult widely, and would aim to present its conclusions to parliament in the autumn.

Law firm for St Petersburg

Clyde & Co, the City solicitors, is to help a Russian law professor to set up the first Western-style commercial law firm in St Petersburg.

Clyde, which is one of the UK's leading international trade and shipping law firms, will open a joint office with Professor Musin, senior professor of law at St Petersburg University and senior legal adviser to the St Petersburg Council.

Professor Musin has a doctorate in marine insurance law and has been instrumental in advising a number of Western clients on investing in Russia including Littlewoods, the UK clothing chain, which opened two stores in St Petersburg last year.

Norwegian on fraud charge

Norwegian businessman Mr Tore Arne Thorsen has appeared in Teesside magistrates' court, Middlesbrough, for a further hearing into corporation tax fraud charges relating to Nissan UK (NUK), the former importer of Japanese cars to the UK controlled by Mr Octav Botnar.

Mr Thorsen, manager of Scansiris AS, a Norwegian freight company, is accused of fraudulently and falsely inflating invoices when shipping Nissans from Japan to NUK.

The Inland Revenue alleges that this resulted in NUK's profits being understated by £100m over a ten-year period.

The hearing was adjourned until June 18 without Mr Thorsen, who is on bail, entering a plea. His solicitor has said Mr Thorsen will deny all the charges.

Power prices rise in London

London Electricity, the regional electricity supply company, will increase its tariff prices by 0.5 per cent from April 1, the company announced yesterday.

This is the lowest increase of any of the twelve regional electricity companies, which have been announcing their prices for the forthcoming year this month. The average increase across the 12 companies is about 2 per cent.

Managers' pay increases 7%

Basic pay for managers has risen by an average of 7.1 per cent over the last year, according to a survey the Reward research group. That compares with an annual increase six months ago of 8.9 per cent and 9.6 per cent 12 months ago.

Nautical black box launched

An accident "black box" for ships was launched today but manufacturers fear it could be some time before it is adopted worldwide.

The Voyage Event Recorder provides a record of a vessel's last 24 hours and should provide great assistance to marine investigators in the case of a shipping disaster.

Thought to be more sophisticated than its aircraft accident black box equivalent, it has already been installed in 10 vessels owned by P&O.

Calling time: Romford is the latest in a series of closures by all the breweries

Brewery closure to cost 300 jobs

By Philip Rawstorne

ALLIED-Lyons, the third-largest UK brewer, is to close its brewery at Romford, Essex, by next February with the loss of 300 jobs.

The closure of Romford, the home of John Bull bitter, is the latest in a series of brewery closures since the Monopolies and Mergers Commission report in 1989 which prompted the government to take steps to encourage more competition in the industry.

Within the past year, Bass has announced the closure of four breweries. Others have been closed recently by Wolverhampton & Dudley and Scottish & Newcastle. The brewers Boddington and Greenalls have quit the industry.

Allied's decision to close Romford follows a strategic review of the group's future production resources and its position in the beer market.

Mr Tony Trigg, managing director of Allied Breweries, said the move would significantly reduce production costs and improve cost-effectiveness. He said the market was increasingly competitive but depressed, and that beer sales had fallen 4 per cent last year.

British Gas to freeze prices in domestic market

By Deborah Hargreaves

BRITISH Gas, the UK supplier and distributor, is to freeze prices for domestic consumers next month as a tough new pricing formula begins to bite, the company said yesterday.

Domestic price levels will be reviewed again in June with a view to cutting them if inflation stays low. "There is not much doubt that if inflation continues to decline, the next move we make on prices will be downwards," Mr Cedric Brown, senior managing director of British Gas said.

This means customers could see a reduction in their gas bills later this summer.

But British Gas is preparing to ask its regulator, the Office of Gas Supply, to re-evaluate the new price formula which restricts gas price increases to five percentage points below the rate of inflation. If changes are made to the formula, British Gas could be free to raise prices again next year regardless of the inflation rate.

The company has called for the formula to be revised in light of changes being made in its industrial business as part of an agreement with the Office of Fair Trading to encourage more competition in the market.

Mr Brown said there had been a 17 per cent reduction in the price of gas in real terms since privatisation in 1986.

But Mr Ian Powe, chairman of the Gas Consumers' Council said: "We were all keyed up to expect a price cut and it's a case of jam tomorrow."

British Gas also announced its new commitment to customers which promises its 18m household customers new, higher standards of service and offers them fixed rates of compensation if the company fails to live up to its targets.

Customers will, for example, be able to claim £10 compensation if British Gas cancels an appointment without giving a day's notice. They will be eligible for a £20 payment if gas supply is interrupted and not resumed within one working day.

British Gas will launch a £2m press advertising and publicity campaign next week in order to get its new caring image across to the public. "The customer will get a very clear promise from British Gas as to what it will deliver in a whole range of activities," Mr Brown stressed.

ICL emerges as leader in computer services

By Alan Cane

ICL, the UK-based computer manufacturer in which Fujitsu of Japan has an 80 per cent stake, has emerged as the largest supplier of computing services in Britain.

It now leads the market after a decade-long shakeout which has seen UK-owned companies routed in an industrial sector they once dominated.

ICL's UK revenues from services, estimated at almost £250m, are bigger than those of US competitors including Electronic Data Systems and International Business Machines. BT Customer Services, a newcomer to the sector with sales of £200m, represents the only serious UK challenge. In the 1980s seven of the top 10 suppliers to the market were UK-owned, led by Thorn EMI Software and Hoskyns. Today, only two UK companies in addition to BT Customer Systems, Logica and Data Sciences, remain in the list.

Even these two companies were vulnerable to takeover, Mr Richard Holway, a leading industry analyst, said yesterday. He said he expected the large computer manufacturers and telecommunications suppliers, including AT&T of the US and BT to step up plans to acquire leading computing services companies to compensate for falling hardware prices.

Mr Holway was speaking at the annual conference of the Computing Services Association, the trade organisation for companies specialising in computer software, data communications and facilities management and other data services.

He said computing services companies were not, on the whole, affected by the recession last year.

Average revenues had risen by 4 per cent, about the rate of inflation. Profits, nevertheless, had declined for the second year running: "I would expect profits to stop falling in 1992 and to show quite high growth from the second half of 1992 onwards as the effects of cost restructuring flows through to the bottom line. This is clearly a superb time to invest in the computing services industry," he said.

Mr Holway blamed much of the industry's difficulties on "ill-advised and badly executed" acquisitions in 1988 and 1989. "We have precious few managers who had any experience of acquisitions prior to 1988 – in fact, we have few managers with experience of managing operations bigger any larger than their current company."

He concluded that the secret of smaller companies such as Admiral, Microfocus and Sage, which had achieved impressive revenue and profits growth through the recession, was tight management which addressed difficulties before they became acute.

ELECTION 1992

■ DAY OF CLAIM AND COUNTER-CLAIM OVER 'LEAK' ■ VOTERS NOT SWAYED BY ROW ■ PRIME MINISTER JOINS THE FRAY

Timetable of health broadcast clash

By Neil Buckley and Jimmy Burns

AFTER a day of extraordinary allegations over the origin of the "leak" that disclosed the identity of Jennifer Bennett, the girl who was the subject of Labour's election broadcast on Tuesday, some facts have become clear while others remain in heated dispute.

The story of the making of the broadcast, and the subsequent row over the revelation of the girl's identity, appears to have been this:

End of February: Labour party begins work on the election broadcast, The Story of Two Girls with the Same Problem, in consultation with Mr John Bennett, Jennifer's father.

March 15: Mr Peter Lee-Roberts, Jennifer's grandfather and a former Conservative mayor of Faversham, Kent, sends a fax to Conservative Central Office, warning about the broadcast but not naming Jennifer Bennett. Mrs Margaret Bennett, Jennifer's mother, also telephones the Conservatives.

March 24: Midday. Mr Robin Cook, shadow health secretary, gives a press conference hinting at the case to be featured in that night's election broadcast. Ms Julie Hall, Mr Kinnock's press secretary, later tells journalists in an off-the-record briefing, that the first name of the child is Jennifer. She does not divulge any more details.

That afternoon, The Independent newspaper learns the identity of Jennifer Bennett and the consultant in the case, Mr Alan Ardouin, from what it later calls its "own journalistic sources". The paper said yesterday these were neither the main parties, the consultant, Jennifer's family, another news organisation, the film crew nor the film's producer.

The newspaper telephones Mr Ardouin between 2pm and 3pm, who promises to ring back when he has the records of the case. He does so later in the afternoon. The Independent understands that he has not spoken to any other newspaper. Shortly before the broadcast is first shown at 6.55pm, Mr Ardouin contacts Conservative Central Office, and is "helped", according yesterday to Mr William Waldegrave, the health secretary, to contact the Daily Express.

Between 7pm and 8pm, the consultant telephones the Labour party to refute the allegations in the film. Labour says this is the first time it is aware that Jennifer's name is now in the public domain.

The Daily Express runs a story naming the child.

March 25: The political row about the film mounts throughout the day.

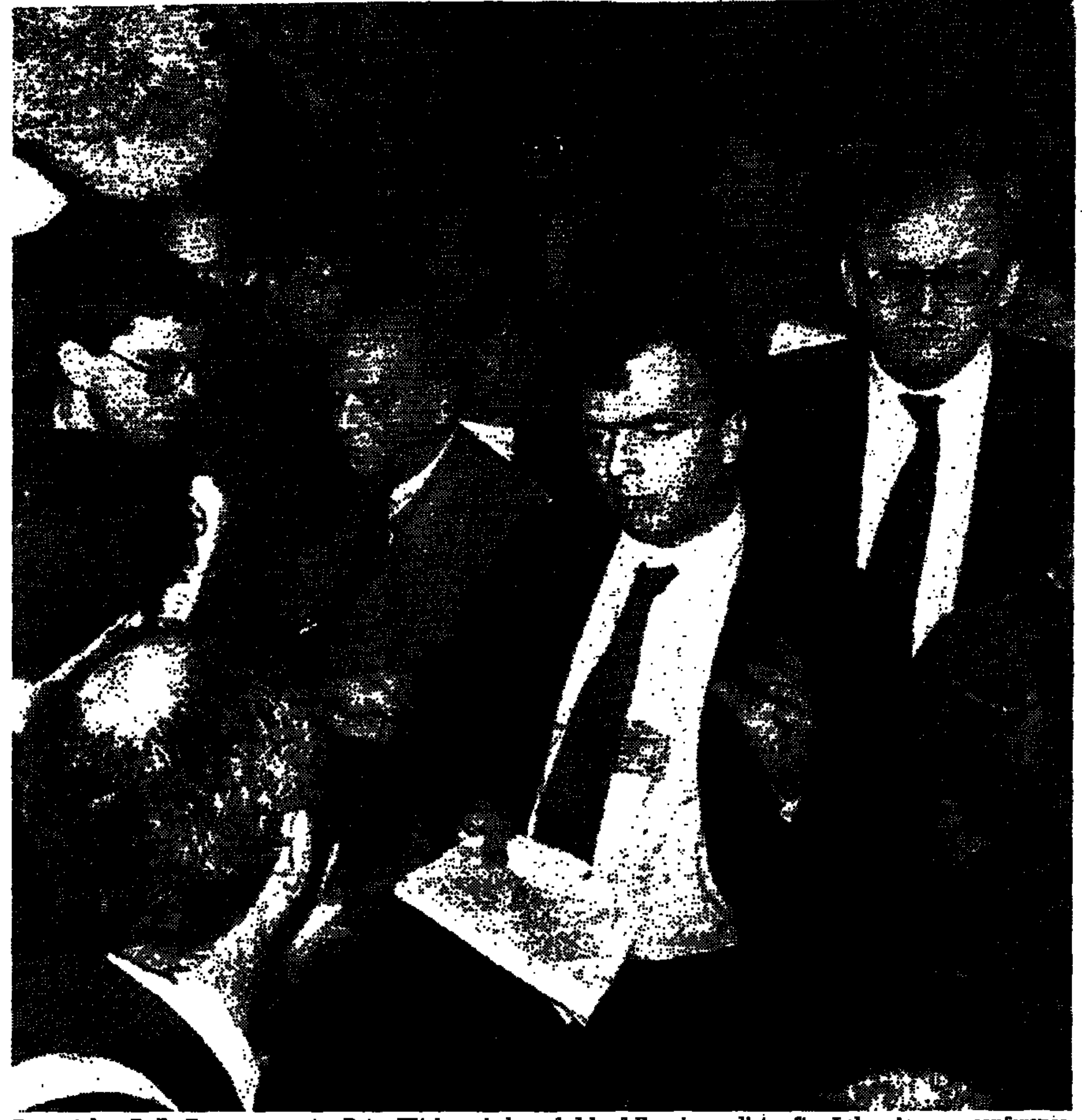
Yesterday: 9.30am. Mr Neil Kinnock, Labour leader, calls on the source of the leak to come forward, and denies it was anyone within the Labour party. 9.40am. Ms Hall interrupts the press conference to acknowledge that she gave the name Jennifer to journalists before the film was shown, but claims this would have been insufficient for them to establish her real identity.

Mr Peter Hitchens, the journalist who broke the story in the Daily Express, says he is "not in reception of leaks from the Labour party" and that he received the information from a "secondhand" source. He says that "nobody could possibly have known who this girl was unless the leak came from within the Labour party organisation which made the film".

Mr John Major, the prime minister, denies that the Conservatives leaked information about the name of the family.

12.30pm. Sir Nicholas Lloyd, editor of the Daily Express, alleges that Jennifer was first named to The Independent, "probably by Labour party sources." The Independent newspaper later denies categorically that it received the information from a political source.

3.30pm. Mr Waldegrave admits that Mr Lee-Roberts' fax was received nine days before the broadcast but claims it was ignored. He adds that when Mr Ardouin made contact with the Central Office before Tuesday's broadcast, "I think we helped the consultant get in touch with the newspapers." 5.15pm. Sir Nicholas tells Sky TV that Mr Waldegrave had already stated that a Tory party contact "gave us" the name of the consultant. He added that Mr Ardouin had "already been telephoned by The Independent earlier that day." 5.30pm. Central Office clarifies that it advised Mr Ardouin to contact the Daily Express, and also got in touch itself with the newspaper to advise it to talk to Mr Ardouin. Mr Robin Cook calls for the resignation of Mr Waldegrave.



Dog-eat-dog: Daily Express reporter Peter Hitchens is hounded by fellow journalists after Labour's press conference

Quotes of the day

The Tory party have done an unforgiveable wrong to a little girl by their cynical conduct, and everyone knows that now
Neil Kinnock

It is quite mind-blowing: Labour can say that, having put out the case of a family on peak-time television, on all channels, that they are really concerned the family's name came out
Des Wilson, Liberal Democrat campaign director

Everyone knows the health service needs improving. So why, instead of bickering, don't that lot work together to help us? I'm sick to death of the lot of them
Voter in Bury

There is every reason for believing that an independent Scotland would face a long, difficult, costly and unpredictable negotiation with the Community and its member states
Sir Leon Brittan

I have to disappoint people in Yorkshire. We have no territorial ambitions
Alex Salmond, SNP leader

The Labour party has clearly told the union leaders to shut up during the campaign. A Kinnock government would have to pay up the day it was over
John Major

Any candidate who is prepared to support the ominous pledge on abortion which blights Labour's current manifesto does not deserve the support of the Catholic community
Scottish Catholic newspaper

They are going to be pink – you can't get blue ones
John Major, on being presented with a new strain of rose called Norma Major

Politicians score an own goal

By Roger Matthews and Chris Tighe

AS VOTERS tried to assess the row over Jennifer Bennett's ear yesterday, the main impression was that the reputation of politicians had been damaged and that voters had not been swayed.

In the Tory marginals of Bury North and Bury South in the suburbs of Manchester – and in Hartlepool, being defended by Mr Peter Mandelson, Labour's former communications director – nobody suggested that the Labour broadcast or the ensuing rumpus had helped to determine their voting intentions.

In Hartlepool, Mrs Mildred Gray, a widow of 75, believed Labour had picked on one case and had misrepresented it. The affair had strengthened her intention to vote Conservative.

Mrs Margaret Ainsley, who looks after her disabled husband, felt the broadcast portrayed the truth. Her five-year-old granddaughter has been waiting three months to have her tonsils removed. "The broadcast made its mark," said Mrs Ainsley, who will vote Labour as she did in 1987.

Mr John Bolton, 42, an electrical engineer who had already decided to vote Conservative, said: "There's 55m people. If you look hard enough you can always find a case to support your argument."

Mrs Emilia Pearce, a shop assistant, voiced distaste for the politicians' dog-fight. "We're all sick of hearing about it," she said. "It's all this presidential style of politics."

The view that the row was demeaning to those most closely involved in it struck a chord in Bury. Women in particular argued that it was wrong to use the suffering of children to score political points.

It was also a sentiment that crossed political affiliations. Committed Tories were "disgusted" or "outraged" while many Labour supporters had reservations about the content of the broadcast.

A surprisingly large number of people said they knew worse cases and would gladly have told Labour about them. "Everyone knows that the health service needs improving," said one Bury voter. "So why, instead of bickering, don't that lot work together to help us? I'm sick to death of the lot of them." Those sentiments were echoed many times.

Such feelings were often accompanied among older people by deep cynicism about what they saw as posturing by politicians.

In Bury they claim to know all about the haves and have-nots. One retired textile worker said the rich had always enjoyed a better service and always would.

Politicians might find a little double-edged solace in another factor encountered yesterday in Bury. That was the small number of people who saw the Labour broadcast and the large number who had no intention of watching Conservative ones.

Warning on private care

By Alison Smith

THE TORIES sought to regain the initiative on health yesterday as Mr John Major called on Labour to make clear its attitude towards private health care and accused the party of "shroud-waving".

Visiting York District Hospital, the prime minister challenged Labour over the thrust of its election broadcast – that people who paid for private health care could be treated more quickly than if they used the National Health Service.

Such a charge was, he said, "inaccurate unless they are going to say that they are going to stop all private health care". He added: "If this is what they are going to say, then let them say it, and say it clearly."

Ending private health care would reduce the total amount of health care available, "ensuring that queues in the National Health Service rise", he added.

Seeking to play down the impact of other revelations of individual emotive cases produced by Labour, Mr Major said that previous examples had not lived up to the claims made about them.

"They have been shroud-waving in one form or another for a long time and case after case that has been examined has not been what it was held out to be in the first instance," he said.

Mr Major's visit to York hospital, which will become a self-governing trust next week, was arranged to coincide with the BMA conference which the Tories had predicted would be hostile to the health reforms.

The prime minister said that Labour's success in the opinion polls on the NHS argument did not reflect the real advances and improvements that had been made.

He contrasted the small group of demonstrators he had met on his way into the hospital with the work being carried out inside it.

"You saw people outside waving Labour placards but if they were in here looking at what has happened in the health service, at the improvements in care, perhaps the climate might be different," he said.

Privately, however, senior Tories admit that the party has had difficulty getting its message on health across.

Talks issue fuels Ulster campaign

THE ELECTION campaign in Northern Ireland heated up yesterday over the issue of the Anglo-Irish agreement and the future of inter-party talks, Tim Coone writes.

The Rev Ian Paisley, Democratic Unionist party leader, said "the shutters will come down" on talks if any attempt is made to put the union on the negotiating table. "The union is not negotiable. Full stop."

His remarks run counter to the insistence by Mr John Hume, the leader of the nationalist Social Democrat Labour party, at the launch of his party's manifesto on Wednesday, that "everything will be on the table", when talks resume after the election.

Scots accusation

MR PADDY ASHDOWN yesterday accused Mr John Major of driving "decent Scots into the separatist camp" by trying to push home rule off the agenda.

The Liberal Democrat leader also risked alienating his own supporters by insisting that Scottish devolution could not be "ring fenced" from proportional representation for the Westminster parliament.

Teachers' poll

A MAJORITY of teachers will vote Labour, according to an ICM poll for today's Times Educational Supplement. The poll shows Labour with 51 per cent support, the Liberal Democrats with 24 per cent and the Conservatives with 20 per cent.

● A poll for the BBC found that 56 per cent of its viewers believe it carries too much election coverage, compared with 40 per cent who thought there was too much on ITV.

CBI speaks out against Labour

By David Goodhart, Labour Editor

THE Confederation of British Industry abandoned any pretence of political neutrality yesterday by claiming that a Labour government would damage confidence, deepen recession and lead many big employers to postpone investment plans.

In an open letter to its member companies, the organisation said that "in the clamour of the election campaign" there was a danger that the electorate would overlook the huge improvement in the performance of British business under the Conservative party.

The letter listed several policies – all of them Labour's – which the CBI said would jeopardise further improvement for business. They included: the national minimum wage, which the CBI says would cost 150,000 jobs; increasing tax on middle managers; and the renationalising of companies now in the private sector.

At a press conference, Sir John Banham, CBI director general, said: "Confidence is the key for the economy and there are proposals on the table [from Labour], including increasing tax on middle managers, that would have an adverse effect on confidence and house values."

CBI officials were also highly critical of the Labour party's election brochure on manufacturing industry which, they said, did not mention exports or productivity.

Professor Doug MacWilliams, a CBI economic adviser, said that many CBI members had been reporting that a Labour victory would lead to the postponement or abandonment of investment plans because of the uncertain impact on demand of a sharp increase in taxation for upper income groups.

Sir Brian Corby, CBI president, admitted that Labour's policy on capital allowances for industry was better than no policy on capital allowances – which is the Conservative position.

The CBI is also closer to the Labour party on plans to strengthen the Department of Trade and Industry.

The CBI expressed some criticism of the Conservative record, especially in education, transport, and public borrowing. However, Sir John said that Labour had no better solutions in transport because it was opposed to new road building.

Fears on EC worker law

By David Goodhart, Labour Editor

THE CBI yesterday attacked Labour's commitment to abandoning the government's "opt out" from tougher European Community employment legislation at the Maastricht summit.

A CBI document, Social Europe After Maastricht, published yesterday, says: "The Maastricht outcome leaves UK firms relatively protected from the wrong sort of regulations and from unnecessary burdens." The document says there are grounds for concern that Europe is losing its competitive edge as a result of slower productivity growth and rising non-wage labour costs. Sir Brian Corby, CBI president said: "A greater EC level regulation of working conditions is patently not needed."

The CBI did not cost any of the EC proposals that might become law if Labour signed the full Maastricht agreement.

The Department of Employment has costed one directive, that on working time, at £5bn. An internal departmental memo on the estimates reveals the sketchy basis of the calculations. The memo says: "The basic approach is to estimate the proportion of hours worked annually contrary to the directive restrictions and then to calculate the wage cost of those hours." The memo also states that transport is likely to be excluded from the directive, which will reduce the cost by about £400m. The memo adds that the government hopes to be able to avoid the imposition of the working-time directive.

It says: "We will argue that it would be in the spirit of the Maastricht agreement for those aspects of the working time proposals that give the UK the greatest problems to be set aside".

Striking lack of reality undermines yesterday's image

David Goodhart finds the Conservatives victims of their own success in union reforms

A CONSERVATIVE party election poster shows a mass meeting of workers voting for strike action by a show of hands. The slogan reads: "Labour in, everybody out. Don't vote for strikes, strikes, and more strikes."

Yesterday the Conservatives tried to make industrial relations an election issue, but the poster describes a state of affairs that no longer exists. The fact is that, after the introduction of secret ballots in 1984, it has been impossible for unions to call strikes on a show of hands. Labour has no plans to change the law.

The problem, for the Conservatives, is one of success. Mrs Margaret Thatcher's union reforms and the quiescent mood of organised labour for the past few years have reduced the impact of the union bogey.

Most voters seem aware of Labour's more arm's-length relationship with the unions and acceptance of aspects of the reforms, including abolition of the closed shop, restrictions on picketing, and ballots for strikes and elections. The philosophical gulf between the two main parties remains wide but the debate about employment law and labour market regulation is now more subtle.

The Conservatives persist in playing the union card, believing that there is still ambivalence about unions and stressing that much has not changed in Labour's union links.

For example, pivotal Labour commitments – including the minimum wage and equal rights for part-time workers – are priority policies because of union pressure. The union block vote at Labour conferences is on the way down, and possibly out, but it still counts for 90 per cent of the votes.

The Conservative attack has concentrated on those aspects of the Thatcher legacy that Labour would reverse. These include banning "ex parte" injunctions which can be granted to an employer without the union being represented; stopping employers from creating artificial companies to exploit the law banning secondary action; and preventing the total sequestration of funds when a union is found to be in contempt of court.

By concentrating on these arcane aspects of trade union law, it is possible to lose sight of how radically a Labour government would change UK industrial relations.

Labour does not like much of the labour-market deregulation of the past decade, believing that it increases insecurity and creates only low-pay, low-productivity jobs that are easily blown away in recession.

It recognises that the labour market, and the working class, has changed. There has been a permanent shift to services and to non-manual work which has brought with it a probably permanent decline in union membership and collective bargaining.

Labour thus proposes to introduce new rights for all employees, in all their new diversity, rather than for trade unions. It intends to continue dismantling Britain's voluntarist system of industrial relations – in which unions and employers slugged it out at the workplace with little intervention from the law – and replace it with a more continental system in which employees have positive rights to balance the restrictions and deregulation of the Thatcher years.

A selection of new legislation which could be on the statute book after Labour's first term includes equal rights for part-time workers, employee right to consultation (probably concentrating on takeovers), improved maternity pay – 14 weeks on full pay – and improvements to the equal-pay laws, and a law banning age discrimination in employment.

Labour's commitment to reverse the government's Maastricht opt-out from an extension of European Community employment law would lead to legislation on working time and works councils for larger companies, and perhaps much more.

Conservative deregulation policies, such as the extension of the qualifying period for employment protection from six months to two years, would also be reversed.

Labour has a neo-corporatist agenda and here the unions are still important. It wants to reform public-sector pay, although how is not yet clear. It will also try to influence pay-setting more generally through the guidance offered to bargainers in the annual National Economic Assessment.

Labour thinkers are sceptical about devolved pay bargaining and want the unions to deliver responsible pay agreements in the hope of a better trade-off between pay and employment.

In return, Labour offers not only the positive rights but also a new trade union recognition law which will require employers to recognise and bargain with unions if more than 50 per cent of a workforce votes for recognition.

Most employers are worried by the cost of Labour's plans. Those in low-pay sectors are unhappy about the national minimum wage, and especially its effect on differentials. Conservative plans, which mark no significant departure from their current approach, will be more to their taste.

The Tories believe their policies run with the grain of an increasingly flexible, individualistic, white-collar workforce. They say that patterns of industrial relations based on trade unions and collective bargaining are in decline and that individuals and employers increasingly want to deal with each other directly.

They would encourage the trend towards individual contracts, promote performance related pay in the public sector, and may even abolish the Wages Councils which set a floor for wages in some industries. In spite of the Tories saying in 1990 that their programme of union reform was complete, it has recently been revived. Specific industrial relations pledges include new rules governing the automatic "check-off" of union dues, removing the power of the Trades Union Congress to regulate which union workers can belong to, seven days' notice of strikes, and postal as opposed to workplace ballots on strike action.

The differences between Labour and the Liberal Democrats are less marked than those between Labour and the Conservatives. Some aspects of Labour policy, such as employee involvement and signing up to the Social Charter, would have Liberal Democrat backing. Other policies, such as the minimum wage, would not.

ELECTION 1992

Conservatives focus on plan to frighten waverers

Political Editor

A THREE-pronged attack on Labour's tax policy, economic competence and Mr Neil Kinnock's leadership has been put at the heart of the Conservatives' election strategy.

Senior ministers said yesterday that Tory hopes of reversing Labour's poll lead rested almost entirely on a plan to "frighten" waverers in the campaign's final two weeks.

Mr Chris Patten, party chairman, has all but abandoned efforts to project Mr John Major's policy prospectus for the 1990s in favour of what one senior minister yesterday called: "a straightforward Thatcherite campaign to demonstrate that they [Labour] are still socialists."

The approach reflects an acknowledgement that the Conservative campaign has been overshadowed by superior Labour tactics. Some ministers believe that if this weekend's polls do not show a narrower gap there will be intense pressure on Mr Patten to toughen the assault further.

The ferocious attack on Mr Kinnock during this week's health row was designed to put in place the final element in his plan. By yesterday, however, the focus on Mr Kinnock's fitness for office had been obscured by the complex row over Labour's election broadcast.

The ministers said they were confident that the Conservatives could overturn a two-point Labour poll lead by stepping up their onslaught on Mr Kinnock and his party during the last phase of the campaign.

At the heart of that strategy – directed principally at winning back the votes of the skilled working classes, – would be an advertising blitz saying Labour would put up the tax of every wage-earner by £1,250.

That will be combined with a relentless effort to convince voters that a Labour government would wreck hopes of economic recovery.

The third strand – an attack on Mr Kinnock's leadership and his fitness to hold high office – is designed to capitalise on what the Tories insist is widespread mistrust of him among "floating voters".

Mr Patten appears confident that the 39 per cent base for his party's support in recent opinion polls is solid. His strategy now will therefore be focused almost entirely on three groups among the electorate.

Disgruntled Conservatives who have switched to the Liberal Democrats will be told that a vote for Mr Paddy Ashdown's party would allow Mr Kinnock into Downing Street. The same message will be conveyed to former party supporters who have indicated that they may not vote on *April 9*.

Finally, the campaign will aim to attract a slice of the working-class voters who have been convinced by Mr John Smith, the shadow chancellor, that their incomes would be unaffected by a Labour victory.

Lib Dems aim to fend off the squeeze factor

By Ralph Atkins

THE WORST fear of Mr Paddy Ashdown, the Liberal Democrat leader, *has so far failed to* materialise – the fierce battle between two far larger parties has not squeezed him into the margins. Since the start of the campaign, Liberal Democrat support has held at about 16 per cent, according to the FT's poll of polls.

This time resources and tactics are better focused than the 1987 Alliance parties' campaign. Mr Ashdown's election itinerary consists, almost exclusively, of winnable seats. A campaign to counter charges that a Liberal Democrat vote is "wasted" will begin next week.

Party strategists said yesterday that the swing against the Tories would this time see Liberal Democrat win seats such as Bath and Cheltenham, which in 1983 and 1987 were tantalisingly close.

In 1987, Alliance candidates came second in 259 seats – mostly to the Tories. "You only need a slight slip from last time for them [the Conservatives] to lose quite a number of seats, many of which are vulnerable to us," said Mr Alec McGivan, deputy campaign director.

He added: "16 per cent in national polls is not actually that relevant to our chances."

It is too early, however, to *rule out a crumbling in the tra*ditionally soft Liberal Democrat vote, with the knock-on effects in target constituencies.

Realistically, the party knows only a handful of seats are more than "possible wins". Seats the party holds, such as Rochdale, and Southwark and Bermondsey, may be lost to Labour.

At the same time Mr Ashdown is, by conventional analysis, trying to defy political gravity with his radical campaigning themes.

A penny on income tax, higher petrol tax and the phasing-out of mortgage interest tax relief is not an obvious recipe for wooing disgruntled Tories.

Mr Ashdown is trying to convey the impression that Liberal Democrats are distinct from Labour – not a modest alternative, but a different species. He has stuck doggedly to his agenda at the cost of lost publicity. Yesterday he tried to talk about the environment when the *headlines* were dominated by health.

If Labour extends its poll lead, wavering Tories may be frightened back to the fold by the threat of a Labour government or the implications of a Liberal Democrat influence in a hung parliament.

Such arguments are not current at the party's Cowley Street headquarters. Mr Des Wilson, campaign director, believes the lesson of 1987 is that national and local campaigns must gel. Local activists were angered then by a disorganised national campaign which portrayed the Alliance as the middle ground between Labour and the Tories. Ironically, the only constituency in England that the party won was Southport, which was almost ignored at national level.

This time the party's manifesto, with its jumble of ideas, allows Mr Ashdown to alter emphasis by region - tougher environmental protection in some, improvements in the health service or job creation in others. He sees his measures as populist - particularly the penny on income tax for education.

The radical mix also goes down well in many of the seats the party is defending.

In spite of the scepticism of opponents, it is a strategy that has so far stopped past Liberal Democrat supporters from drifting away. The party still hopes it will do rather more.

Green deposit: Paddy Ashdown, campaigning yesterday in the Tory-held marginal of Richmond, at a bottle bank with Lib Dem candidate Jenny Tonge

Centre party seeks gains at the periphery

By Richard Tomkins

THE political map of Great Britain presents a paradox as it stretches through England's west Country.

This is a bastion of Liberal Democrat strength, part of Britain's rural Celtic periphery, where associations with Liberalism are rooted in long traditions of independence and religious nonconformism.

Yet throughout the south-west, from Bristol to Land's End, the constituencies are a sea of Conservative blue.

Of the 41 seats in south-west England, just two are held by Liberal Democrats. Yeovil in *Somerset is held by Mr Paddy* Ashdown, the party leader, and Truro in Cornwall is held by Mr Matthew Taylor.

Only two other constituencies stand out from the Tory blue. Plymouth Devonport is the seat of former SDP leader Dr David Owen, who is standing down; and Ms Dawn Primarolo holds Labour's solitary south-western seat in Bristol South.

It is the paradox between Liberal Democrat support and Conservative representation that makes the south-west a *crucial* battleground for the Liberal Democrats. Here, more than anywhere, they are seeking to assert themselves at the Tories' expense.

One obstacle is that their underlying strength is greatest in rural areas – in the towns and cities, the vote tends to polarise between Conservative *and Labour; so in Bristol*, where three of the Conservatives' four seats are vulnerable, Labour stands to gain.

Similarly, Plymouth is more likely to bring a loss to the centre ground than any gains. Devonport will almost certainly revert to Labour after Dr Owen's decision to stand down, and the centre vote in the other two Plymouth seats – Drake and Sutton, both Tory-held – will probably fall without the Owen factor.

In rural areas, however, the Liberal Democrats are the Conservatives' main rivals. Insofar as Labour has a presence, it has in many areas been squeezed almost to near-insignificance by tactical voting: so it is the Liberal Democrats who stand to cash in on the anti-Tory vote.

Even so, the gap between the Tories and the Liberal Demo*crats is sometimes so vast that* there is little hope of bridging it in a single election. Victory in Devizes, for example, would require a swing of more than 13 per cent from Conservatives to Liberal Democrats; in Honiton, more than 14 per cent.

It is in Devon and Cornwall, counties associated with Liberal figures of the past such as Jeremy Thorpe and the late David Penhaligon, that traditions of independence are strongest.

Cornwall North and Devon North were both Liberal until *1979* – the former held by John Pardoe, the latter by Jeremy Thorpe – and in both, the Liberal Democrats have gradually rebuilt their strength. They now need a 4.1 per cent swing in Devon North, and 4.9 per cent in Cornwall North.

A third possible victory is the Cornish seat of Falmouth *and Camborne, where* recession has hit the industrial areas of Redruth and Camborne. The popular Conservative incumbent, Mr David Mudd, is stepping down, to be replaced as Tory candidate by Olympic gold medallist Mr Sebastian Coe - an "outsider" whose selection has cut little ice with the locals. The Liberal Democrats would capture the seat with a swing of just 4.7 per cent - but this is one seat where Labour might split the vote.

Exeter in Devon is a Tory marginal, but here, too, Labour might divide the opposition vote. St Ives, Cornwall South-east and Torbay are on the Liberal Democrat hit list, but they are long shots; in Bath, they will struggle to oust Conservative party chairman Mr Chris Patten.

A gain of three or four south-*western seats would be no* small victory for the Liberal Democrats – not least since that is probably as many seats as they can hope to gain from the whole of the rest of the country.

Ashdown 'would give more to poor'

By Peter Norman, Economics Correspondent

LIBERAL DEMOCRAT Budget plans would "give" far more to the poorest members of society than the Labour or Conservative proposals, but at the expense of middle-income earners, the Institute for Fiscal Studies reported yesterday.

The independent research body said virtually all families with incomes of less than £50 a week would gain between £8 and £9 a week if the Liberal *Democrat plans became law*.

This would compare with additional spending power of between £3 and £4 a week for this income group under Labour, and gains averaging just £1 under the Tories.

However, at income levels of more than £100 a week the majority of UK families would start to lose under a Liberal Democrat chancellor, while most families with incomes up to £500 a week would gain under Labour.

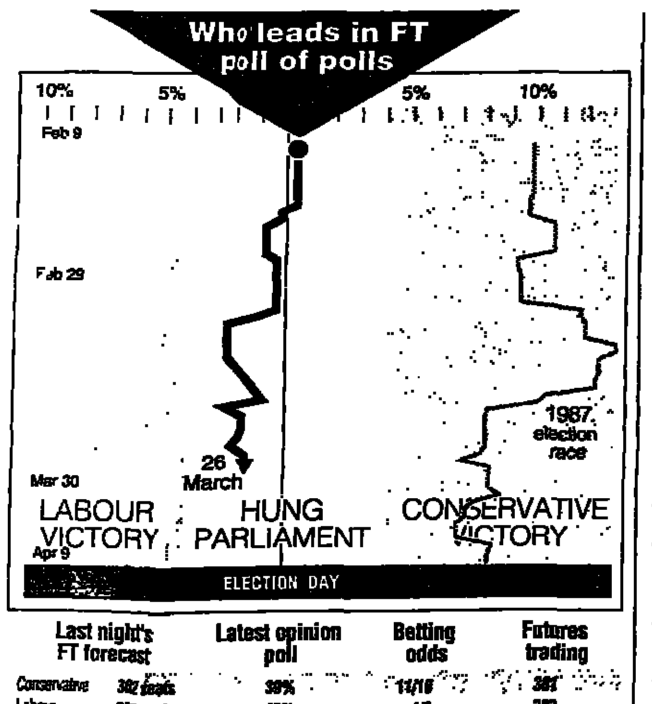
At the very top income levels – above £1,000 a week – the losses from the Liberal Democrat plan would be smaller than under Labour's shadow Budget.

The IFS said the bias in the Liberal Democrat package towards low incomes reflects the party's generous plans for pensioners and single under-25-year-olds on income support.

The Liberal Democrats plan to spend £4.4bn more on state pensions, against £2.3bn under Labour, on average making married pensioners £11 a week better off and giving single pensioners £6 more a week.

Under Labour, the equivalent figures would be £7 and £5 a week, while the government in its March 10 Budget *announced increases of £3 and* £2 for couples and single pensioners on income support.

Alternative Proposals on Tax and Social Security. IFS, 7 Ridgmount Street, London WC1E 7AE. £6.



	Last night's FT forecast	Latest opinion poll	Betting odds	Futures trading
Conservative	302 seats	39%	11/10	301
Labour	305 seats	42%	4/6	303
Liberal/Dem	18 seats	14%	400/1	24
		(NOP/Newsnight/Independent) Field date 24-25 March	Ladbrokes (for most seats)	Dealing on the number of seats (IG Index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last campaign. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

THE LIBERAL Democrats appear to have scored a hit with their pledge to increase the basic rate of income tax by 1p to finance a £2bn boost in spending on education, **Ivor Owen writes.**

According to the NOP poll published in yesterday's Independent, 78 per cent of all voters approve of the proposal.

Mr Paddy Ashdown has good reason to be encouraged, too, by the Gallup finding in yesterday's Daily Telegraph on the campaigning efforts of the three party leaders. That accorded him top rating with 34 per cent. Mr Neil Kinnock secured second place (28 per cent) and Mr John Major 17 per cent.

Labour led in the ratings for the overall party campaigns at 32 per cent – *Lib*Dems (24 per cent) and Conservatives (12 per cent).

The poll showed that 46 per cent of voters would like to see the first-past-the-post electoral system replaced with proportional representation. Also 56 per cent of voters want to scrap the government's NHS reforms.

About 67 per cent back a statutory *minimum* wage of £3.40 an hour, as proposed by Labour, and 26 per cent of all voters, 45 per cent of Conservative voters, back privatisation of British Rail.

Media Watch: **James Buxton**

Scots interest rates may have peaked too soon

A ROW of four men (there are few women in Scottish politics) in armchairs arguing on television about Scotland's constitutional future is the best media entertainment in the general election in Scotland.

There is usually Jim Sillars, the eloquent deputy leader of the Scottish National party, who can silence others by the power of his voice; Donald Dewar, now looking more confident that Labour can hold off the SNP; Malcolm Bruce or Menzies Campbell from the Liberal Democrats; and Ian Lang, the Scottish secretary, who is never ruffled but looks worried.

What makes watching the TV debates more fun than reading the newspapers is hearing the electorate directly. Scottish Television has assembled a panel of 500 people at Lanark in the Clydesdale constituency in the central belt whose voting pattern in 1987 was close to the Scottish average. But if the constituency's 23.5 per cent quota of Tories is there they are keeping very quiet.

The election is different here. There is one first-rate issue, rich with potential consequences and unique to Scotland; the question of the country's constitutional future. Yet it does not produce very much news.

Although John Major was here on Wednesday and Mrs Thatcher on Tuesday, most of the big election news is still being generated in London, and the Scottish broadsheets usually lead their front pages with the same issues as their London counterparts.

The only good Scottish election story was the publication of a letter from Ian Lang to John Major in which Lang outlined what most people suspected – that the Tories want to use *the SNP to split Labour's vote*.

The newspapers cannot really complain. The heavyweights, The Scotsman and The Herald, have kept the flame of devolution alight in the years when it seemed a colourless abstraction. They had their reward when interest in it soared two months ago, triggered by a Scotsman opinion poll showing that 50 per cent of Scots wanted independence (the proportion has since fallen back to 37 per cent).

However, these papers account for only a small part of Scottish newspaper readership. In Fife and Tayside in eastern Scotland, people read The *Courier, published in Dundee. It far* outsells The Scotsman, still has classified advertisements rather than news on its front page and has almost daily editorials backing the Conservatives.

Further north, in the Grampian and Highland regions, the daily broadsheet is the Press and Journal, which is also inclined towards the Tories.

The Scottish tabloids should have been utterly predictable a few months ago. The Daily Record, like its sister paper the Daily Mirror, is firmly behind Labour and devolution. However, in January the Scottish edition of The Sun switched dramatically *from supporting the Tories to backing* the SNP and independence.

Take me to your leader

John Major has a new challenger. Charles Seaton Cockell is standing against him in his constituency of Huntingdon as the sole candidate of the Forward to Mars Party.

Do not mock. Cockell convinced the *FT* in a telephone interview yesterday that he is serious. Now 24, he led the first officially recognised British expedition to Mongolia in 1990 and discovered a new species of black widow spider which now *resides in the Natural History* Museum. "It is a false black widow," Cockell says. "It doesn't sting."

Then he went off to the former Soviet Union and, in co-operation with Leningrad zoologists, extracted the genetic code from the extinct woolly mammoth. "The animal is bigger than an elephant," he explains.

Having started at Bristol, Cockell is doing his PhD at Oxford on genetic blood-clotting. His real subject is exobiology, which means the study of extra-terrestial life. It can't really be done properly without space research: hence his interest in the mission to Mars and its *potential evidence of early* molecules.

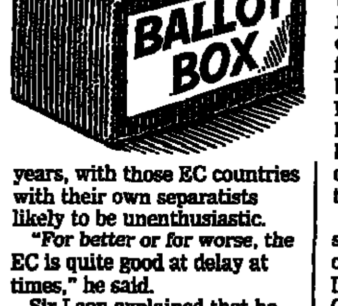
Cockell says he will be happy to win 200 votes and hopes that people, including John Major, will notice his programme. When his PhD is complete, he has an offer of a job with Nasa, the American space agency, working on the Mars programme – provided it is not abandoned.

Brittan's roles

Sir Leon Brittan, Britain's senior commissioner to the European Community, was in Edinburgh yesterday to *support the Tories*.

His main task was to use the weight of his office to warn that if Scotland became independent, it would not automatically become a member of the EC.

Echoing the words of Douglas Hurd, the foreign secretary, Sir Leon suggested that an independent Scotland would have to negotiate membership rather than obtaining it on a plate. The process could take several



years, with those EC countries with their own separatists likely to be unenthusiastic.

"*For better or for worse*, the EC is quite good at delay at times," he said.

Sir Leon explained that he was giving his independent personal view as a Tory who happened to be a member of the commission.

"All my commission *colleagues take an interest in* political developments in their own countries," he said. Sir Leon went on to canvass for Paul Martin, Conservative candidate in the Labour-held constituency of Edinburgh Central.

However, little has been heard during the election from Bruce Millan, his Labour counterpart in Brussels who was once secretary of state for Scotland. Unlike Sir Leon, Millan has almost certainly given up the idea of an eventual return to Westminster.

Liberal whoppa

So far, Dr David Owen has been content to play a limited *role in the general election* campaign, but many of his former colleagues who ignored his advice and left the Social Democratic Party to join the Liberal Democrats still find him an irresistible target. They can be a little liberal with the truth.

During the warm-up *speeches before the appearance* of Paddy Ashdown at the Liberal Democrat rally at the Oxford Union on Wednesday, Owen was said to have been instrumental in limiting to 18 months the tenure of the now Lord Bonham-Carter as Liberal MP for Torrington.

When Bonham-Carter, grandson of Asquith, captured the Devon seat from the Conservatives in 1958, it was the first Liberal by-election gain for nearly 30 years.

Tim Razzall, the Liberal Democrats' national treasurer told the Oxford rally that Owen had enabled the Conservatives to regain the seat in the general election of the following year by standing as the Labour candidate.

In fact, Owen was then 21. It was not until 1964 that he fought his first, and only, unsuccessful parliamentary contest as Labour candidate at Torrington.

No picture

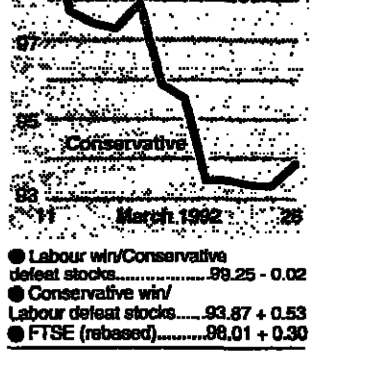
William Waldegrave, the health secretary, was poised for a "photo opportunity" at Central Office yesterday, along with a group of about 30 doctors who support the government's health service reforms.

Photographers downed cameras, however, when the doctors turned out in suits, not white coats. "They could have been anyone," said one lensman. "It would not have been a real picture."

Standard ad

Labour's qualms about the influence in Greater London of the staunchly Tory *Evening Standard* have not deterred it from placing a full-page ad in the paper. "Someone is killing 600 businesses in London every week," it says. "We all know the guilty party."

"We feel it is the only way we can achieve balance in London's only daily newspaper," a party official said. The *Standard* is unlikely to reject the money.



● Labour win/Conservative defeat stocks..................99.25 - 0.02
● Conservative win/ Labour defeat stocks.....93.87 + 0.53
● FTSE (rebased)..........98.01 + 0.30

THE STOCK market seemed *to judge the Tories the net* gainers from the exchanges between the two parties over Labour's health broadcast. Shares that might benefit from a Conservative victory rose by more than the FT-SE index of big company shares, while stocks that *might gain if Labour formed* a government dropped back. The steady advantage to Labour shown in the first full week of the campaign has faded this week.

THE PROPERTY MARKET

New towns show their age

By Vanessa Houlder

England's new town movement, one of the most ambitious programmes of city building ever undertaken, is about to take its place in history.

The Milton Keynes Development Corporation is due to hand over its assets to the Commission for the New Towns, a government-appointed group overseeing the winding up of all new town corporations, on March 31. It will be the last of 21 English new town development corporations, set up at a cost of £4bn since 1946, to be wound up.

Most new towns have a low key, even dreary image that belies the enthusiasm with which they were founded. The movement traces its roots back to the Victorian idealist Ebenezer Howard. His "garden city" concept was embodied in Letchworth in 1903 and in Welwyn, which became a new town in 1948. But it was not until the years following the Second World War that the new town movement came into its own.

The desolation and congestion of bomb-scarred London inspired reformers such as Lewis Silkin, formerly of the London County Council, and Lord Reith to set up new towns in the countryside. The New Towns Act 1946 gave wide powers to the newly-established development corporations to acquire land, create infrastructure and build factories, shops, homes, civic buildings and leisure facilities.

The first generation of new towns, such as Stevenage, Harlow and Crawley were designed chiefly to accommodate the overspill from London. An exception was Corby, which needed housing for workers attracted to its rapidly-expanding steel industry.

The second generation of new towns, such as Redditch, Washington and Telford, were designed primarily to revitalise depressed areas of the country. Of the later towns Milton Keynes, established in 1967, was a planning exercise in a car-based society. The first generation of new towns did not take account of the rising levels of car ownership, leaving the town centres cluttered with multi-storey car parks. Milton Keynes is a exception: typically, it takes 10 minutes for a resident to travel to work in the town.

The verdict on the new towns is mixed. They have certainly provided vastly improved environments for a large number of people. "They are popular places in which to live," says Mr Adrian Webb, deputy director of the Town and Country Planning Association, a charity which has promoted new towns.

However, new towns are also accused of lacking soul and community spirit, and of possessing some uninspiring architecture. Many new towns have also failed to attract sufficient industry, thereby forcing residents to commute to nearby conurbations for work. (That said, levels of inward investment are sometimes impressive: there are 43 Japanese companies in Milton Keynes.)

New towns have also been criticised for siphoning off the young and mobile. This is only partly true: a study by the Great London Council in the early 1980s revealed that in London only about 7 per cent of the population that had moved elsewhere went to the new or expanded towns.

Financially, the new towns present a mixed picture. The first generation of new towns, (Aycliffe, Basildon, Bracknell, Corby, Hatfield, Hemel Hempstead, Peterlee and Welwyn Garden City) were largely successful. Development surpluses repaid the investment in infrastructure.

But the second and third generation (Runcorn, Skelmersdale, Milton Keynes, Northampton, Peterborough, and Warrington), suffered from less favourable locations, high interest rates, a flagging economy and the less buoyant property market of the 1970s. In many cases they have had to run to stand still.

Whichever party is elected, the commission will continue to privatise assets

These towns were also affected by a shift in government policy in 1977, which resulted in more funds for the inner cities at the expense of new towns. The effect of this shift was to curb the towns' growth, by upwards of a third, resulting in an over-provision of infrastructure.

The election of the Conservative party in 1979 prompted a further shift in policy. Public involvement and spending on the new towns was curbed and a programme of privatisation of new town assets launched.

Initially, the privatisation proceeded slowly. In response, in 1982, Mr Michael Heseltine, the environment secretary at the time, responded by shaking up the Commission for New Towns, which was seen as a sleepy, bureaucratic quango.

Sir Neil Shields, a Conservative businessman, was installed as chairman, with a strong remit. Under his leadership, the commission drastically cut its staff and increased takings from property sales. "When I came in, the rate of achievement of development corporations was way behind target," he says. After exceeding targets in the late 1980s and raising £2bn from asset sales, the corporations' sales have now slowed down.

The commission faces a large task in the case of Milton Keynes. The town corporation still possesses enough development land to build the equivalent of another small town; its population of 150,000 is eventually expected to reach 210,000. Indeed, the corporation fought hard for a reprieve, at least for another three years, to complete the town's development. Although Sir Neil was not totally unsympathetic to its case, he is confident of the commission's ability to attract enough investment to complete the town's development. "We are not slouches at this," he says.

It seems likely that whichever party ends up in power after the UK election on April 9, the commission will continue to privatise new town assets.

The prospect of more new towns provokes vehement opposition from people who see them as an autocratic piece of social engineering. But deteriorating housing stock in many areas makes the case for such towns compelling. According to the Town and Country Planning Association, 2.8m new dwellings will be needed in Britain between now and 2011, about the total number of dwellings in Greater London.

The Town and Country Planning Association has called for a revised new towns programme. "There is a strategic necessity for some new settlements" says the association's Mr Webb.

Over the past decade the private sector has tried to gain a a direct role for itself in the development of new towns. In 1983, Consortium Developments, backed by the property developers Wimpey, Barratt, Beazer, Tarmac, Bovis, Laing, and McCartney and Stone, announced that it was looking at sites for between 12 and 15 news towns to meet the demand for homes. But after repeatedly becoming bogged down in the planning process, the project was abandoned.

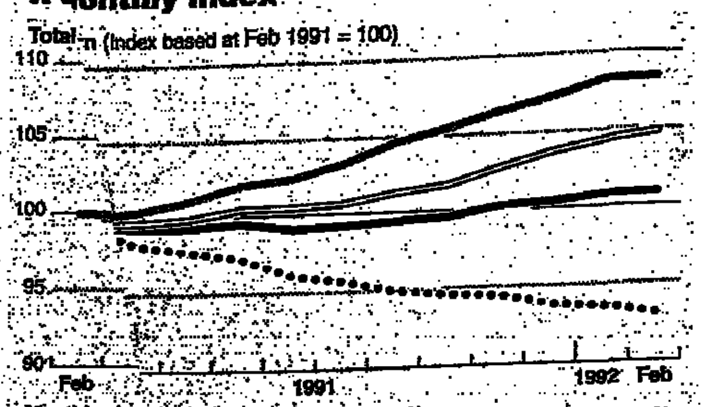
Eagle Star has also submitted proposals for a new country town at Micheldever in Hampshire as part of that county's structure plan. This has been fiercely opposed by the county council and environmental groups. The Prince of Wales has also lodged his own proposal for a new town at Poundbury, near Dorchester.

Mr Michael Heseltine, the environment secretary, has also hinted at another proposal for new towns as part of the development along the East Thames Corridor.

If new towns are to be set up in relatively unpopular areas, there will be a need for government intervention. A renewed new town movement, driven by the public sector, may not be entirely a thing of the past.

IPD monthly index

Total return (index based at Feb 1991 = 100)



Monthly change (index based at Dec 1986 = 100)

	Feb 1992	Jan 1992	Change
IPD	7.15	167.13	0.02
Retail	.18	150.44	0.74
Office	.53	164.49	-0.96
Industrial	.14	231.87	0.27

Little cause for cheer

Total returns [on] all properties in February [fell] to zero, according to [I]nvestment Property Databank, [the in]dependent research company.

"Yields were held [at th]eir January levels, but the do[wnw]ard pressure on rents is percol[ating] directly through to capital val[ues]," it said. Rents dropped by a ful[l per]centage point during the month [and] capital values fell by 0.7 per ce[nt].

The total return a[nd c]apital growth rates for the y[ear] moved up, but at a slowing r[ate] while rental values continued t[o fall]. The year-on-year total return [was] per cent, while capital [gro]wth improved marginally from per cent for the year to Januar[y to] -6.6 per cent for the year to Feb[ruar]y.

In February, retail property outperformed the industrial sector with a total return of 0.5 per cent compared to 0.1 per cent. However the year-on-year results confirmed industrial property as the highest performing sector, with a total return of 8.3 per cent for the year to February.

The office sector is experiencing short-term volatility. Last month's optimistic signs gave way to a 2.1 per cent fall in rental values, the greatest monthly drop for more than a year, and a 1.3 per cent fall in capital growth. Capital growth for the year remained relatively stable at -13.8 per cent, while total returns showed some improvement, and yields were unchanged at 9.9 per cent.

Lucy Kellaway meets the boss of Dixons in a converted church, where he is happily shuffling papers

Why high technology leaves Stanley cold

MY OFFICE

"THIS is the office of a tidy, disciplined person, someone who is well organised and pretty savvy. He is a senior businessman with average tastes." An outsider might not altogether agree with Stanley Kalms' appraisal of his own office.

The room, which is carved out of a converted church in the quiet back streets of Mayfair, seems rather feminine, cosy and chintzy. With its bordered carpets, fake coal fire, co-ordinated floral curtains and sets of reproduction furniture, it strikes an odd contrast with the crowded high-tech displays of his Dixons shops.

Kalms is happy with the general effect. "Since I understood what style meant," says the self-made retailer, who joined the Dixons business at the age of 16, "I have always gone for a sense of warmth.

"I like browns and I don't like modern things." While the room has the feeling of a pretentious suite in a hotel, its occupier makes up for it with a certain engaging directness. Kalms is one of the survivors in retailing: for 44 years he has presided over Dixons, watching other high street chains come and go.

He is a staunch conservative, both a big C and a little one. He has made generous contributions from his substantial private fortune to the Tory party, and in general seems opposed to change.

His office has been managed in the same way for 20 years by Olive, a kindly, matronly sort of woman. "I depend 100 per cent on Olive. She looks after me every hour of the day."

But while the chain has grown by selling increasingly sophisticated products, Kalms himself has stuck to old-fashioned habits. In his office is a photograph of the first Dixons store opened in Edgware, north London, in 1948.

One senses that his ideas about how to run the business may not have changed much since then.

On his large, leather-topped desk (which is otherwise quite empty) is a computer print-out a couple of inches thick. This is delivered first thing on Monday mornings and contains the previous week's sales and margins for every product at each of the group's 800-plus stores.

But is filling his head with thousands of profit margins really the best use of the chairman's time? "I'd be no use at strategies if I didn't understand how the camcorder was selling," he says.

Doesn't such attention to detail suggest a reluctance to delegate? On the contrary, Kalms says, he is so good at letting the directors get on with their jobs that he has even moved out of the drab, Ealing headquarters into the more private Mayfair suite. "I don't like living over the shop," he says.

Despite the large computer screen behind his desk, Kalms sticks to paper whenever possible. "I can't use the computer," he says, quite unabashed. "Technology has passed me by. I'm much more comfortable looking up the tabs."

Trevor Humphries

Stanley Kalms: "I can't use the computer. Technology has passed me by. I'm much more comfortable looking up the tabs"

Neither does he know how to work any of the old cameras that are displayed in his glass cabinet. "I'm one of the most untechnical people of all time, which gives me a good eye for which products are going to sell."

There are, however, two gadgets in the office that he has no problems working. A pair of identical brass temperature gauges in different parts of the room allow him to indulge his obsession with being too hot or too cold. "At board meetings I'm up and down all the time to check on the air conditioning," a sign of the fussy meticulousness that his underlings have sometimes found hard to bear.

He likens being in his office to "being in the nest or in the womb". Kalms sees his office as a place in which to receive visitors – beyond two arches in his room there is a plush area with sofas and comfortable chairs.

For Kalms, the effect is strengthened by a huge, grimy canvass by French artist Bernard Buffet – "one of the best investments Dixons ever made" – showing a cold, bleak level crossing.

"I like the contrast with the warmth of the office," he says. He has lots of pictures by the same painter at home.

Serious work, he thinks, is better done at home in the evenings. He points to a fat document about the health of retailing: "It's best to read that sort of thing in your slippers," he says.

All change at Barclays, if they can manage IT

Paul Taylor reports on the bank's plan to educate a generation of computer-literate managers

Joseph De Feo is blunt about what needs to be done at Barclays to forge a successful partnership between its basic banking business and computer technology. "We are re-defining what it is to be a business manager," says the bank's American-born director of Information Technology (IT) and Services Businesses.

The future of banking, he believes, is tied to the successful management of the computer technology which has come to dominate the financial services industry. So, he argues, Barclays "must raise a generation of IT literate managers who have the fundamental skills to manage this technology and who are not afraid of it".

But training is just one of a series of changes Barclays has been implementing in an attempt to maximise the benefits of IT, and bridge the chasm between the back-office technicians and the front-line business managers. These problems are not unique to Barclays, or even the financial services sector, although Barclays' IT operations are particularly large.

The bank has a worldwide computer staff of 6,000, with 3,200 in the UK alone, and a total annual IT expenditure of £1bn.

But in many large organisations, the introduction of computers over the past 25 years has raised issues which are only now beginning to be tackled. As De Feo himself acknowledges, in the early days IT was regarded as something of a "black art," whose practitioners "worship at the alter of technology". In many organisations the move to computerisation generated tensions and what De Feo calls "the tyranny loop".

This began with a gulf between users and practitioners. The users had insufficient understanding of IT and became frustrated with the poor quality of the service, while the experts, who knew little of the business, became frustrated because the users were unable to articulate their requirements.

Over time, experts became used to directing the way IT would be used and found it difficult to be more responsive. As a result, the contribution computers could make to the business was diluted, while the costs continued to escalate.

Some companies have sought to overcome these problems by adopting a firm, centralised grip over IT activities.

But De Feo argues that such an approach is "extremely difficult" in complex organisations like Barclays where line business managers have a high degree of autonomy.

Instead, Barclays has adopted a new approach which includes devolving some computer functions into the main business areas of the bank, and introducing competition into other IT services.

To provide a "unifying management philosophy" for the changes, Barclays selected total quality management (TQM) because, says De Feo, "people understand what TQM means ... it does not mean building a Rolls Royce when the customer wants a Ford. It means delivering what the customer wants".

To ensure that IT is kept at the forefront of management thinking, a new IT board has been formed. It is chaired not by an IT executive, but by Andrew Buxton, Barclays group managing director – a move designed not only to underline senior management's commitment to the restructuring of IT operations but also to emphasise its central role in improving Barclays' competitiveness.

The IT board is made up of the heads of all the business units and is responsible for IT policies across the group. Beneath the board sits the Group IT Executive (Gite), comprising all Barclays' IT executives, and Group Information Systems Technology (Gist) a core group whose 350 staff are in charge of technical issues such as architecture and standards, tracking important projects, and providing the central benchmarks against which all IT issues are measured.

However, the most important change introduced after a review by Nolan Norton, part of KPMG Management Consulting, has been to split up the old Centralised Information Systems Department and "devolve" the 1,500 systems development and end-user staff. These staff now make up individual IT units attached to each of the group's main business divisions.

There were, however, some IT functions which Barclays decided should remain centralised, in order to obtain economies of scale, while at the same time introducing a new element of competition. Two new units, Barclays Computer Operations (BCO), responsible for managing the bank's UK computer systems, and Barclays Network Services (BNS), responsible for its voice and data telecommunications services, have been set up as quasi-commercial business units. "We have created two business units but put them under direct commercial pressure," says De Feo.

The aim is to make the two units bid on the basis of price, quality and service in competition with outside service suppliers for internal Barclays work. They will also be permitted to act as Facilities Management (FM) companies, offering their services to external customers, although De Feo emphasises Barclays has "reasonably modest ambitions" in this area.

De Feo also plans to develop a measure for the value added by IT to the business. "It has to be real value in terms of meeting customer requirements," he says.

In some areas, De Feo says, a "sharper" attitude is already apparent. However, he accepts that it may take years before it is possible to assess whether Barclays' bold attempt to change its IT culture has been a success. In the meantime, the initiative is being closely watched by other companies which have yet to tackle the issue.

Science goes on the road

Four European science organisations are joining forces to put on *Cosmorama*, a touring exhibition which will visit 20 countries over four years from 1993.

"Our aim is to represent in one single exhibition man's present knowledge of the universe," says Brian Southworth of Cern, the European Particle Physics Laboratory, who is chairman of the organising committee.

"We want to show all our delight at the things we already know and all the mystery of the things we do not yet know."

Cosmorama will contain large animated displays – Inside the Big Bang, Inside the Milky Way, Inside the Solar System and Inside the Living Cell – to represent the work of the four organisations: Cern, ESO (European Southern Observatory), ESA (European Space Agency) and EMBL (European Molecular Biology Laboratory).

There will also be operating scientific instruments, including spark chambers to reveal the cosmic rays irradiating the earth. "But we are making the presentation of the laboratories themselves secondary to the overall scientific aim of the exhibition," Southworth says.

Nigel Calder, a well-known British science writer, has written the storyline to knit everything together. Visitors will be directed around the exhibition in their local language, with Calder's commentary transmitted by infra-red to individual headsets.

The budget for the exhibition and its touring expenses will be about £2m, which the organisers hope to raise mainly from corporate sponsors. The 20 host cities will spend an extra £2.5m to meet local costs.

Cosmorama's tour is scheduled to start at the Heureka Science Centre near Helsinki in March 1993 and finish in Moscow four years later. Its UK visit – to Birmingham – will be in mid-1994. Three 13-metre vehicles, nicknamed the Spacetrain, will move it from city to city.

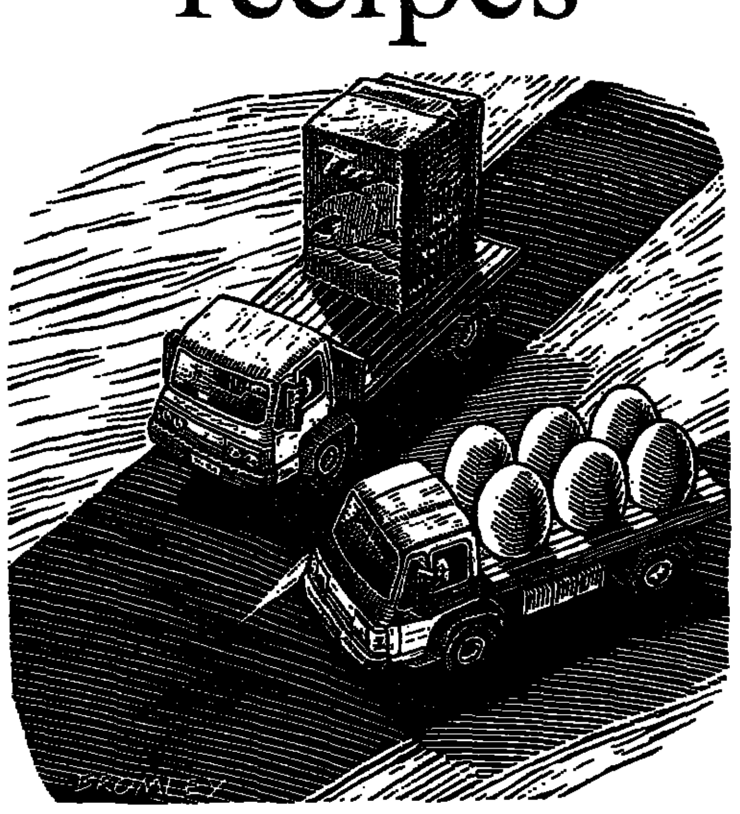
The exhibition will spend six weeks at each venue and will be updated continuously to feature new discoveries – for example a comet founded by ESO astronomers or a genetic discovery at EMBL.

The organisers estimate that 1.5m people will visit the show.

Clive Cookson

Andrew Baxter describes how two food industry suppliers have blended their skills

Exchanging recipes



As the dust settles on one of last year's biggest takeover controversies, managers and technologists at two very different suppliers to the food industry are gingerly beginning to make an omelette without breaking eggs.

More than a year after Tetra Pak, the packaging equipment and materials group best known for its Tetra Brik brick-shaped carton, announced the SKr16.25bn (£1.6bn) takeover of Alfa-Laval, the manufacturer of food, agricultural and industrial process equipment, the two Swedish companies are investigating how to make the merger work. "It is taking off, and it's going to be very interesting for both companies," says Jörgen Haglind, Tetra Pak's communications director.

It is also an unprecedented, and at first glance rather curious situation. Instead of combining fully, the two companies are remaining separate. Their relationship is assuming a T-shape, with vertically integrated Tetra Pak providing the down-stroke, and horizontally-integrated Alfa-Laval the cross-stroke.

In technology terms, the link stands where the two strokes meet, with liquid food – its processing, packaging and distribution – providing the connection.

Synergies in that product area are now being examined – Alfa-Laval, for example, has developed a new process for heat treatment of liquid egg that could link with Tetra Pak's continued efforts to find new applications for its cartons.

But the two companies are also looking at possible long-term benefits from closer links between Alfa-Laval's non-food activities, such as its process control subsidiary Satt-Control, and Tetra Pak.

Either way, what is emerging is a technology-led business combination in which knowledge and skills, rather than corporate entities, are being merged. Synergies are being discovered at divisional and product development level rather than imposed from above.

Contacts, inevitably, have been established at board level, and Alfa-Laval's financial department has been closed down, but the two companies have avoided the trouble that could easily have plagued a full integration of a marketing and a manufacturing culture.

The structure, Haglind suggests, might be applicable in other situations where companies have products that stand in-line in a client's manufacturing process – Alfa-Laval's process equipment produces liquid food that is then packaged in Tetra Pak's machines and cartons.

That may prove to be true, but meanwhile there is little doubt that the unusual structure helped the two companies sidestep an assault from Brussels that focused on such links. Soon after the takeover was announced in January last year, the European Commission launched one of the first in-depth inquiries under its recently introduced rules for large takeovers.

The EC's concern was that competitors either in the food processing or packaging equipment sector would be disadvantaged if the merged company offered a package deal including, for example, Alfa-Laval equipment at below the commercial price. Similarly, competitors could have lost out if Tetra Pak and Alfa designed equipment that could only be linked to each other's products.

However, by May last year, the Commission had apparently decided that it had no authority to make a ruling on the merger because it was neither a horizontal nor a vertical combination. The two companies had, in any case, promised not to act anti-competitively.

'At the end of the day the engineers and technical people on Alfa-Laval's food side and Tetra Pak can really make a difference. We have a chance to create something not achievable before'

Even so, Tetra Pak and Alfa-Laval have to develop technology and process synergies while mindful of the fact that "we are being watched from Brussels," as Bo Wirsén, head of Alfa-Laval's food business, puts it. Both companies are convinced that they can achieve this in the long-term, even if the initial steps are tentative.

This month Alfa-Laval begins a series of informal discussions with its senior managers and sales managers to acquaint them fully with how to interpret the EC's concerns. "I don't think it's going to pose a problem, but equally it's very important that we all understand the implications," says Wirsén.

At the same time, two parallel series of discussions have begun between the two companies. The first links Tetra Pak with different parts of Alfa-Laval's food business via separate project groups in liquid foods, convenience foods, ice cream and other areas. The intention says Wirsén, is that in the medium-term the discussions could produce "new technological solutions that give customers a distinct competitive advantage".

The second initiative involves project groups aiming to find synergies between Tetra Pak and Alfa-Laval's non-food activities such as control equipment and heat exchangers, many of which number food equipment among their applications. Wirsén suggests that Alfa-Laval's strengths outside its food division may have come as a surprise to Tetra Pak following the takeover.

The aim of these links is to build on connections between the two companies that have ebbed and flowed over the past 30 years. Both companies have built global organisations from one idea – Gustaf de Laval's continuously working separator invented in 1877 and Ruben Rausing's device to form, fill and seal packages under the liquid level from a roll of packaging material.

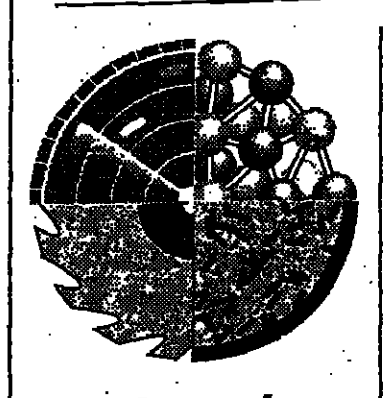
Both companies are also strong in the dairy sector and in aseptic packaging, and their paths have inevitably crossed on big projects.

For the future, though, the priority for the two companies is to exploit opportunities arising from sharing knowledge and offer "integrated solutions" for a food industry that increasingly wants large processing plants built for them on a turnkey basis.

Achieving that would seem difficult in two separate companies with their own marketing departments. But Wirsén maintains it should be easier, now that the companies have merged, to develop new liquid food technologies or new approaches to total automation of food processing.

"At the end of the day the engineers and technical people on Alfa-Laval's food side and Tetra Pak can really make a difference . . . we have a chance to create something that was not achievable before." And, if they are careful, to keep Brussels happy.

Worth Watching · Paul Taylor



An early warning can save the day

Early warning of jet engine damage or failure could help improve air safety and perhaps save the lives of aircraft or helicopter passengers.

Smiths Industries is developing a gas turbine electrostatic engine monitoring system which will provide pilots or ground crews with up to 100 hours' warning of engine problems.

The system, initially developed by United Technologies' Sikorsky Aircraft Division and then licensed to Smiths Industries' US aerospace subsidiary, detects clouds of charged particles caused by abnormal engine conditions in the exhaust gas stream.

A complementary warning system, particularly useful in helicopters, uses a radio frequency coil to detect small metallic particles in fluids or in the hydraulic system. Warnings of up to 10 hours of impending transmission failure can be achieved. Smiths Industries: US, 201 822 1300; UK, 081 458 8232.

Two more bites from Apple

Apple Computer aims to expand its sales of laser printers and scanners with the launch this week of models designed to work with IBM-compatible personal computers running the popular Microsoft Windows operating system, writes Louise Kehoe.

The Apple Personal LaserWriter NTR is aimed at individual PC users as well as small workgroups using a mix of Apple and IBM-compatible computers. Priced at $2,199 in the US, it will compete head to head with comparable printers from market leader Hewlett-Packard. The UK price is £1,695.

Apple is also offering an IBM-compatible version of its image scanner, a device that simplifies the process of transferring a photographic image on to the computer screen. The OneScanner for Windows is priced at $1,299 in the US, and will be available worldwide later this year. Apple: US, 408 996 1010; UK, 081 569 1199.

Astronauts on a flight of fitness

Astronauts on Nasa's space shuttle need to exercise. But often they can't work out as vigorously as they would like for fear of disturbing sensitive scientific experiments, writes Ian Holdsworth.

Nasa and Lockheed think they have solved the problem with a new kind of platform which supports exercise equipment such as a treadmill or rowing machine yet cancels out any vibrations. The Isolated/Stabilised Exercise Platform will have its debut in June on the shuttle Columbia.

Astronauts need hard aerobic exercise daily to prevent dizziness when they return to earth, says Dr Damon Smith, project leader at Lockheed. "In the presence of microgravity research such as protein crystal growth, this amount of activity interferes. It's important that the shuttle astronauts get the exercise and the experiments be protected." Lockheed: US, 408 742 6688.

Companies stick by green credentials

Companies wishing to promote their environmental awareness can now buy stickers featuring a reusable monitor which shows the level of acidity in rain by changing colour.

Invented by Anthony Maxwell and available through his company Maxwell-Paitch, the stickers can be customised with text and corporate logos.

Alternatively companies can buy packets of six special fund-raising acid rain monitor stickers promoting the up-coming United Nations Earth Summit to be held in Rio de Janeiro at the start of June. More than two-thirds of the $2 sticker purchase price will go to supporting the Earth Summit. Maxwell-Paitch: UK, 071 355 1096.

FT LAW REPORTS

Bank funds are unfrozen

POLLY PECK INTERNATIONAL LTD v NADIR & OTHERS

Court of Appeal: (Lord Donaldson, Master of the Rolls, Lord Justice Stocker and Lord Justice Scott): March 19 1992

THE FUNDS of a defendant bank against which the plaintiff has only a speculatively arguable case should not be frozen by Mareva injunction pending judgment if the effect would be to interfere with the normal course of its banking business. But where there is a likelihood that the bank may remove funds to avoid the effect of a possibly adverse judgment, the court may order it to earmark traceable sums and refrain from dealing with them than other than in the normal course of business when no other funds are available.

The Court of Appeal so held when discharging a Mareva injunction granted by Mr Justice Millett against the Central Bank of the Turkish Republic of Northern Cyprus, as fourth defendant to an action by the administrators of Polly Peck International plc (PPI) against Mr Asil Nadir, Kibris Endustri Bankasi Ltd (IBK) and others.

LORD JUSTICE SCOTT said PPI was the holding company of more than 200 subsidiaries. Mr Nadir was its chief executive.

IBK was a Northern Cyprus bank. It was controlled by Mr Nadir and provided services for the PPI group. It had few customers, if any, other than members of the group and Mr Nadir's family.

Central Bank was incorporated in Northern Cyprus in 1983 and had supervisory and regulatory powers.

Under Northern Cyprus law, every bank operating within the territory must be authorised by, and hold 20 per cent of its foreign currency reserves with, Central Bank. IBK maintained an account with Central Bank in Lefkosa.

Both Central Bank and IBK maintained accounts at Midland Bank International's Cannon Street branch.

In the action, PPI claimed against Mr Nadir and IBK respectively for misapplication of £378m and £142m of its funds. The claim against Central Bank related to £44.987m of the £142m.

From September 1987 to October 1990, IBK transferred £44.987m from its own account at Midland to Central Bank's account at Midland, in exchange for a corresponding sum in Turkish lira or sterling credited to IBK's account with Central Bank in Lefkosa.

It was common ground that Central Bank assisted in the scheme to the extent that it received the funds transferred to it by IBK in London, and made the funds available to IBK in Northern Cyprus.

The administrators contended that Central Bank either had actual knowledge that the funds were being improperly diverted away from PPI, or that circumstances put it on inquiry that that was so. The pleaded case against it was one of constructive trust.

The writ was issued on October 22 1991. Mr Justice Millett granted an *ex parte* Mareva injunction within the UK against Central Bank, limited to £38.9m.

The order now under appeal was made *inter partes*. Mr Justice Millett concluded that PPI had shown an arguable case against Central Bank as constructive trustee in respect of the £44m; that there was a real risk it might remove its funds from the jurisdiction; and that a Mareva injunction ought to be granted.

A Mareva injunction could never be justified unless a fair arguable case for liability could be shown. But the strength of the case sufficient to support the grant of a Mareva injunction was dependant to some extent on the consequences to the defendant if an injunction were granted, as well as the consequences to the plaintiff if an injunction were not granted.

PPI's main case was one of constructive trust. It was said that if equitable tracing rules were applied to the £44m transferred from the IBK account to the Central Bank account with Midland, about £10.7m still stood to the credit of Central Bank.

It was accepted for present purposes that (i) the transfers of the £44m were procured by Mr Nadir; (ii) they were not effected for PPI's proper purposes and represented breaches of Mr Nadir's fiduciary duty to PPI; and (iii) the breaches of fiduciary duty were dishonest.

For the purposes of the appeal, the court asked itself whether a fair arguable case had been shown that Central Bank must have realised the funds were PPI's funds, and must have been suspicious that they were being misapplied.

Although Central Bank must have known the £44m was group money or Nadir money there was no basis on which to infer that it knew or ought to have known it was PPI money.

Mr Justice Millett thought the circumstances in which the transfers were made should have made Central Bank suspicious, because of "the sheer scale of the payments".

At the relevant time, Mr Nadir was a man of unblemished commercial reputation and integrity. Why should Central Bank have suspected impropriety because of the scale of the transfers?

The case shown by the evidence as it now stood was speculative and depended for its success upon something emerging that cast suspicion on Central Bank and its good faith.

As to whether PPI's case ought to be protected by injunction, it was a general principle that a Mareva injunction ought not to interfere with the ordinary course of the defendant's business.

That made the grant of a Mareva injunction against a bank very difficult.

A Mareva injunction ought never to prevent a defendant from paying his creditors their due debts. A bank must repay depositors in accordance with the terms on which the deposits were held.

Central Bank had no customers other than the authorised banks of Northern Cyprus. The purpose of requiring them to keep 20 per cent of their foreign currency holdings with Central Bank was to ensure their foreign currency liquidity. Roughly 60 per cent of Central Bank's total foreign currency deposits were held frozen in London.

The injunction had already seriously affected its foreign currency liquidity and interfered with its normal manner of carrying on business.

To maintain the injunction would be likely to inflict irreparable harm.

The other side must also be taken into account.

If the action against Central Bank succeeded to the extent of the full £44m claimed, it would be hopelessly insolvent. Well before judgment, if there was any likelihood of judgment being adverse, it was likely to have looked for a safer place for its foreign currency reserves.

It did not follow, however, that the absence of funds in England would necessarily prevent PPI from enforcing judgment (if obtained). Funds kept in any of the Brussels Convention countries would be vulnerable to enforcement procedure.

For two reasons the balance came down against continuance of the Mareva injunction.

First, PPI's case against Central Bank was no more than speculative.

Second, it was wrong in principle to grant a Mareva injunction so as to interfere with the normal course of the defendant's business. To impose a Mareva injunction that would have that effect in order to protect a cause of action that was no more than speculative was not simply wrong in principle, but positively unfair.

Central Bank should be required first, to earmark the £10.7m in a separate account; and second, should be restrained from dealing with the earmarked fund otherwise than in the normal course of business and unless and to the extent that there were no other available funds in England.

The appeal was allowed. Lord Justice Stocker agreed.

LORD DONALDSON MR also agreeing, said the special problem in the case of a bank was rooted in the fact that its stock in trade was money borrowed from depositors. Any order which could produce a "run on the bank" (withdrawals not replaced by deposits) would be inimical to the purposes for which the Mareva jurisdiction existed. It was not that a Mareva injunction could never be granted against a bank, but the circumstances would have to be unusual.

For Central Bank: Philip Heslop QC and Richard Millett (Theodore Goddard).

For the administrators: Robin Potts QC, Leslie Kosmin and Sandra Bristoll (Alsop Wilkinson).

Rachel Davies
Barrister

PEOPLE

Cosmopolitan Scot to Salvesen

SALVESEN, the distribution, manufacturing and specialist hire company, is turning back to its home base of Edinburgh to find its next non-executive chairman. It is choosing Alick Rankin, chairman of Scottish & Newcastle, to replace John West who retires in July.

West, formerly chief executive of food group Reckitt & Colman, is now 64 and has been chairman since 1989. He was brought on board to lend some outside experience to the group on the retirement of Sir Gerald Elliott, a member of the Salvesen family which still holds a total of 44 per cent n the company. A few months later a new chief executive, Chris Masters, came in, and the company's performance has markedly improved since then.

While West operated from London with occasional visits to Scotland, Rankin, 57, who has been non-executive director of Salvesen since 1986, is based in Edinburgh. One of the most cosmopolitan members of the Scottish business establishment, he gave up the post of chief executive of Scottish & Newcastle early last year, and is evidently now looking to fresh pastures. He recently became chairman of Scottish Financial Enterprise, the organisation which lobbies for the Scottish financial sector.

Nabarro for Hambros Northern

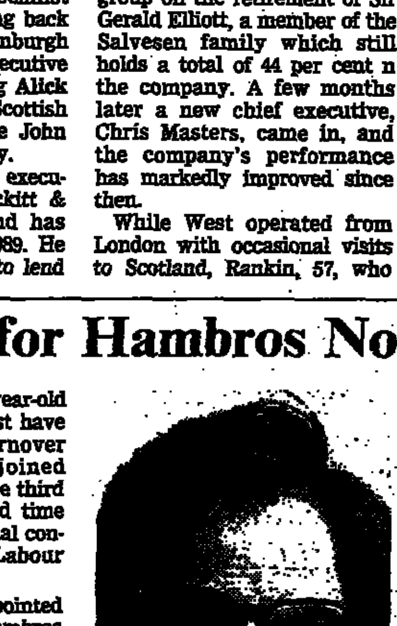
William Nabarro, a 36-year-old corporate financier, must have set some sort of turnover record. He has joined HAMBROS BANK for the third time and for the second time has left MAI, the financial conglomerate headed by Labour peer Lord Hollick.

Nabarro has been appointed managing director of Hambros Northern. Based in Leeds, it will provide corporate finance advisory services and represents the merchant bank's first move outside the Home Counties.

Hambros has strong links with Yorkshire, helped by the presence of Lord Halifax on the board of its merchant bank; but Nabarro stresses that it was his idea to set up shop in Leeds. West Yorkshire has a "very strong economy" and a heavy concentration of local company headquarters, so "more strategic decisions are taken around Leeds than one might think," says Nabarro. The Leeds Permanent Building Society is an old client of Hambros and the bank also advises several other local names such as William Cook, Persimmon, and Evans of Leeds.

Although Nabarro is reluctant to elaborate on his reasons for leaving MAI, it seems as if he is probably better at advising companies than running them. MAI is a long standing Hambros client and Nabarro has been involved with the firm for more than a decade and advised on several of the company's major acquisitions.

After a two-year spell as MAI's group development manager in the mid-1980s, he rejoined the group in late 1989 and was given the task of building up a specialist market research and business information operation. MAI spent well



over £50m acquiring NOP and MIL, two of Britain's best-known market research firms, and a 25 per cent stake in Addison Consultancy. The intention was to float these supposedly fast-growing companies on the stock market at a fancy multiple which would improve MAI's own lowly rating.

However, the recession intervened, the profits of the new information division slumped and MAI is left with what looks like some rather expensive acquisitions on its hands. Nabarro is not retaining his seat on the MAI board and has been replaced as chief executive of MAI's information division by 31-year-old Graham Hill, previously managing director of Milpro, MAI's international healthcare research company.

■ Mark Archer and Nancy Curtin have been appointed directors of BARING INVESTMENT MANAGEMENT.

■ David Holcroft has been appointed md of Woolwich Unit Trust Managers, a subsidiary of the WOOLWICH BUILDING SOCIETY.

Taverne for Indy finance

As part of a reshuffle designed to broaden top management at NEWSPAPER PUBLISHING, owners of The Independent and The Independent on Sunday, Suzanna Taverne, who joined 18 months ago as a strategic planning executive, becomes the new finance director.

A 32-year old Oxford history graduate, she came to the Independent from S.G. Warburg's corporate finance department, where she had been part of a team advising the publishers. While a stock market floatation had earlier been on the cards, by the time she arrived in August 1990 the effects of the advertising recession, on top of strains imposed by the launch of the Sunday newspaper, ensured that she was occupied instead with two rounds of refinancing, helping bring in El Pais and La Repubblica which now hold 18 per cent each.

Taverne, the daughter of former Labour MP and early SDP promoter Dick Taverne, takes over from Graham Luff, who became managing director in November, shortly after the most recent refinancing. Luff's promotion was seen as a step towards spreading the load of founder and editor Andreas Whittam Smith, who however still retains the title of chief executive as well as editor.

Strains of the Classics

Professor David Spearman, mathematician and vice provost of Trinity College Dublin, is envious of his brother John's new assignment - getting paid to listen to classical music all day.

In fact, the new chief executive of Classic FM, Britain's first classical music radio station that is both commercial and national, is unlikely to have much time to wallow in Tchaikovsky and Rachmaninov during office hours.

Starting up "sometime in the second half of this year" in a highly inclement advertising environment, Classic FM starts off paying the government £1m a year plus 4 per cent of qualifying advertising revenue for the privilege of its franchise. Despite the muscle of its backers which include TimeWarner and Associated Newspapers, the going could be hard.

But 50-year-old John Spearman, former chief executive and chairman of advertising agency Collett Dickenson Pearce (CDP), who was approached by TimeWarner, relishes the chance of running a new national medium.

With the increased popular appeal of the classics in Britain in recent years, Spearman, who has no intention of trying to emulate Radio 3, believes the time is right.

"Central Television these days has to brief its telephone operators before each episode of Inspector Morse" as to what pieces the musical inspector is tuning in to, because of the flood of weekly enquiries.

"We will offer advertisers and agencies a valuable audience of ABC1 listeners - at substantially lower rates than a page in the FT."

Spearman left CDP at the beginning of 1990 after nine years as chief executive because of a disagreement concerning diversification strategy, notably Playback, the management training company he started with Mel Smith and Griff Rhys-Jones, and in which CDP had a 51 per cent stake.

He bought out that stake when he left and has subsequently been chairman of Playback.

"I thought I would enjoy doing things in a less intense, more eighteenth century way, but I was wrong" he says, relishing the return to "constructing and developing companies".

Manchester Festival of Expressionism

Man's intuitions and urges laid bare

As part of Manchester's recent Festival of Expressionism, a trio of exhibitions explores the classic period of Expressionism, starting in 1905. In that year, four young Dresden artists formed Die Brücke, "the bridge". The name came from Nietzsche's rhapsodic preface to *Thus Spake Zarathustra*: "Man is a rope, tied between beast and Higher Man – a rope over an abyss... What is great in man is that he is a bridge and not an end."

Life would be perilous for these rebels whose naked swimming-parties and "fifteen-minute nudes" jettisoned both bourgeois morality and artistic convention. Indeed, only Ernst Ludwig Kirchner had any formal art training. Yet why did that matter? In order to regenerate Germany's decadent culture, art needed to be *the pure expression* of man's intuitions and physical urges.

At the City Art Gallery *The Expressionist Face: 1905-25* is sponsored by Lufthansa (until 4 May: 061-236-5244). It focuses attention on two key aspects of Expressionism: print-making and figuration. Despise bourgeois society though they did, the avant-garde artists needed to eat. Portraiture found them enlightened patrons, especially among a wealthy Jewish intelligentsia.

It has been said that whereas the Romantic artist wore his heart on his sleeve, the Expressionist wore it painted on his chest. Dramatic distortion of the human face, as in Kirchner's *Portrait of Otto Mueller*, drew the viewer immediately into the psyche of the sitter/artist. The shattered visage of *The Wife of Professor Goldstein* – married to Kirchner's psychiatrist – was a map of the soul and also an image of the external world.

Both the Brücke and the Blaue Reiter in Munich – the circle formed by Kandinsky and Franz Marc in 1911 – considered print-making to be as important as painting. Käthe Kollwitz did not paint at all. Her 1908 etching, *Battlefield*, is an image of human tenderness in the face of objective tragedy. The print's technical skill (the mother's hand lit up by the questing beams of the lamp) and its pathos come as a relief among a surfeit of images of generalised angst.

The Expressionists saw print-making as harking back to the late Gothic period, a time of Germany's unsurpassed artistic vitality. The crudely gouged woodcuts of Schmidt-Rottluff, Pechstein and Heckel, also evoked the much-admired primitivism of African and Pacific carving.

At a deeper level, print-making's Manichean nature was the visual correlative of the Nietzschean antitheses which marked the Expressionist outlook. It was a movement characterised by despair and exuberant hope, by a desire to destroy and to create.

Like it or not, Expressionist prints speak out with a forcefulness that needs no commentary. How mistaken, therefore, to give each print a banal commentary. Of a Kollwitz print, for example, we told that it is "one of the artist's finest late self-portraits" and, in case we cannot see it, "eyes and mouth [are] communicating sadness, but also strength".

A Schmidt-Rottluff lithograph "relies for its dramatic strength on the stark contrast of black and white." How patronising to think the public need these crutches. Even more objectionably, the one-room exhibition space resounds to an hour-long television documentary. Rather than overheard clichés about Auschwitz, give me piped music any day.

Thank goodness there is no such lunacy at the Whitworth Art Gallery. The scene switches to Vienna and a perfect match between *Arnold Schoenberg: Paintings and Drawings* (until 9 May: 061-273-4865) and, in the adjoining room, *Expressionist Prints by Kokoschka* (until 25 April). Kokoschka's print-making takes us from his delightful coloured images of children's fairy-stories through the horror of his affair with Alma Mahler, his war-time sufferings and, finally, to a sense of redemption achieved in his family portraits.

Arnold Schoenberg self-portrait, at the Whitworth Gallery

The Whitworth is the only venue for the international touring exhibition of Schoenberg. From about 1910-1912 Schoenberg was an amateur but obsessive painter. Famously, Kandinsky admired Schoenberg's art and music hugely. His *Self Portrait from the Back* was shown in the first Blaue Reiter show in 1912. It hangs in the exhibition, together with the long series of self-portraits, portraits, landscapes, stage-settings, caricatures, and the visionary series, the *Hands* and *Gazes*. The exhibition documents Schoenberg's suffering with Alma Mahler, his friendships, and his second marriage. More than this, however, as a group, these paintings possess genuine power. Few will miss the similarity between Munch's *The Scream* and *Red Gaze*, the best-known of Schoenberg's paintings. However one responds to the message of an artistic creed which cavalierly dismissed knowledge and skill as mere "*acquired* characteristica", Schoenberg's pursuit of an art of the unconscious achieved something unique and memorable.

Patricia Morison

Pop Concerts/Andrew Clements

Lou Reed and Tom Petty

Giving concerts is a serious business for Lou Reed nowadays. Notices in the foyer on Sunday gave warning that latecomers would only be allowed to their seats between numbers and that Reed would be singing material from just his last three albums. Any unseemly requests for old favourites, it was suggested, would not be viewed at all favourably.

From such unpropitious beginnings, however, the evening could only get better, and Reed came on to give one of the most absorbing and finely judged of performances.

Since he re-established himself with the abrasive *New York* in 1989, Reed's music has gone ever more inward and restrained.

Perhaps the unbuttoned rocker will emerge again one day, but in the meantime the spare, ironic beauty of the Warhol tribute *Songs for Drella*, which he made with John Cale in 1990, has been enhanced in the elegiac tone of his latest album *Magic and Loss*, written in the wake of the deaths of two close friends.

The first half was given over to the *Magic and Loss* songs. They are shaped very consciously into a cycle, complete with instrumental prelude and a reprise before the final number, titles hedged around with subtexts and lyrics, which for all their moments of black humour portray a struggle to come to terms with bereavement.

Set against the very best of his recent work – the most self-lacerating of the *Drella* songs, the hard-driving "Dirty Blvd" and "Strawman" from *New York* – *Magic and Loss* can seem single-paced and musically underpowered.

Certainly Reed moved up a gear musically in the second half, pulling four numbers out of *Drella*, including a spell-binding delivery of "A Dream", the deadly accurate parody of Warhol's diary style which turns suddenly from camp to horror.

In the end, the fans did get something old. Noticeably relaxing through the second half, Reed even ventured the occasional smile, and offered a set of encores that included "Sweet Jane", the mawkish Satellite of Love" and "Walk on the Wild Side".

From any other rock star that would have been a predictable finale, but Reed has worked so hard at his new beginnings and at remaking his songs that reviving his best known number was really made to seem like a special blessing for his faithful and exemplary audience.

*

The pleasure in Tom Petty's concert with the ever faithful Heartbreakers on Monday was much more sporadic. Like Lou Reed, they too are over here on the back of an album, the pleasant, relaxed *Into the Great Wide Open*, which appeared at the end of last year and shows Petty extending his concerns in social issues and the green movement.

The concert, though, revealed very little more, apart from a deeply embarrassing taste for whimsy, and a willingness to play up to the adoring fans in ways that a musician of Petty's honest excellence really does not need to contemplate.

The best of the new songs were liberally scattered through the running order, along with recyclings of a good deal of tried and tested old material.

The sound of the Heartbreakers grows ever more Byrd-like (Petty even included one of Roger McGuinn's own songs) and the vocal delivery shifts between the Dylan whine and a thin, effective lyricism. In the end it was all too protracted and indulgent, fatally sabotaged by the absurd play-acting in the middle.

Lou Reed: Hammersmith Odeon. Last performance tonight. "Magic and Loss" on Sire Records. Tom Petty: Wembley Arena. "Into the Great Wide Open" is available on MCA Records

Theatre/Andrew St George

The Dark River/The Dance and the Railroad

Rodney Ackland (1908-1991) is one of England's forgotten playwrights. He wrote *The Dark River* under the shadow of war; it was first performed in 1943 with Peggy Ashcroft in the lead. This production is the play's second revival at the Orange Tree, Richmond: fine, acute and absorbing theatre, wonderfully acted and intimately directed.

Ackland set the play in 1937. It tells the complicated story of Catherine, a former dancer torn between a comfortable past peopled with familiarities and an edgy new future. She is estranged from her husband, Christopher, and summers at the Thameside house of her former teacher, Ella; she takes with her a blousy friend, Gwen, and is followed there by her new lover, Alan, the official representative of the new future who brings news of Nazism and Guernica. Throughout the course of the summer, the relationships unfold as the war looms.

The play stacks the past into unwieldy heaps of baggage that each character carries around: Ella's son had died at Ypres, and when an itinerant stocking salesman calls and turns out to be from the same regiment, she takes him into service; Ella's father, frail and hallucinating, looks back to another past. The river itself, under suburban pressure from bungalows and road houses, flows back to an idyllic bygone age; Ella plays Chaminade, swamped by the noise of overhead planes from a nearby squadron.

Ackland's techniques, finely balanced here between farce and tragedy, deliver a straight play with a sense of humour. The play's greatest strength is its emotional knowingness; Ackland made each part substantial by interweaving its concerns with the others, but the plot turns on improbable encounters, telling rather than showing. The dialogue has more "darlings" and "absolutelys" than a Channel 4 Board meeting, and so the feeling can seem stilted: "I think it's absolutely divine, but suppose we want somewhere gayer?"

Alastair Muir

Liz Crowther and Belinda Land in 'The Dark River' at Richmond

The play's central scene, where Catherine, a model of vacillation, tries to break first with Alan and then Christopher, is a thoughtful metaphor for an England quavering on the brink of a future but always ready to relax into the past. Catherine yearns backwards: "How disappointing summer is... I suppose one is really longing for summers in the past." Ackland has little time for this indulgent nostalgia, while recognising the need in others. Finally, a clock which was stopped at the start of the action is rewound: time moves on. Alan says: "Once you've stopped going forward, it becomes a sort of death."

Sam Walters' direction is marred by sloppy lighting; the play should be moodier. The acting everywhere has subtlety and tact. With Stephanie Cole, mistress of the downcast eye as Ella, Belinda Lang as the febrile Catherine and Malcolm Sinclair as Alan, the issues of Ackland's sombre text emerge clearly.

The Dark River reminds one uncannily of Fitzgerald's coda to *Gatsby*: "and so we beat on, boats against the current, ceaselessly born back into the past." But this remains a play about Englishness, the old world and not the new.

★

On May 10 1869, the tracks of the Central Pacific railroad east from Sacramento connected with the Union Pacific railroad at Promontory Point, Utah, to form the Transcontinental. It was six years in the making, built by immigrant labour, first Irish, and then overwhelmingly Chinese recruited from goldrush California and China. The extraordinary play, *The Dance and the Railroad* tells the story of two Chinese railroad workers in 1867; it puts spoken dialogue alongside Beijing Opera in a compelling juxtaposition.

The Dance comes to The Contact Theatre from Glasgow and Cardiff; it is written by David Hwang (*M. Butterfly*) and performed by Singapore's Leling Beijing Opera Troupe and the Glasgow based TAG Theatre Company. Alan Lyddiard directs. The result is a strange and beguiling evening's theatre which informs both the intellect and the senses.

Behind the two principal actors (Tom Yang and Unku), a drama of dance, mime and colour plays itself out. The stage, divided by black gauzes, opens into a space in which the 10 Beijing Opera players perform in sumptuous costumes. The dialogue, not unlike some of Tom Stoppard's scripted exchanges, is interspersed with interludes of Opera.

Beijing Opera itself is a theatre of simplicity governed by complex rules of gesture and voice. These remarkable dancers educate one's attention for detail: the stage is filled and yet one searches for the smallest gesture.

The action runs tangential to the railroad narrative, yet enacts parts of it: the struggle between man and the unyielding environment, the need for one's own cultural roots in a foreign land, or the value of stamina, application and discipline in the face of an overwhelming task.

The Opera interludes include several stock figures of the genre: Guan Gung the civilian who excels in the martial arts, Madame White Snake, a Goddess made mortal who falls in love with a human.

These characters appear while one of the railroad workers reveals the mysteries of the Opera training. ;the novice asks "How long before I can play Guan Gung?" his teacher replies "How long before a dog can play the violin?"

Orange Tree, Richmond. Ends April 25. (081-940-3633). Contact Theatre, Manchester. Box office 061-274-4400. Ends Saturday

City of Birmingham Symphony Orchestra

1913 was not only the year of the premieres in Paris of Debussy's *Jeux* and Stravinsky's *Rite of Spring* – the orchestral twin peaks of modernism – but also saw the first performance of Elgar's *Falstaff*, at the Leeds Festival.

Such a conjunction was too good for "Towards the Millennium" to pass over, and so on Tuesday, in the latest instalment of the celebration, Simon Rattle and the City of Birmingham Symphony sandwiched Elgar's symphonic study between the two masterpieces.

Both *Jeux* and *The Rite* are very much Rattle party pieces. He conducts the Debussy in particular with astonishing and ever growing fluency, weaving its strands together into a web of fluctuating tempos and changing textures with a naturalness and sense of shape that made light of the work's difficulties.

By most standards too the Stravinsky was exemplary, vivid and immaculate, without a moment of slackness, and with every detail etched into place. Yet in the first part especially, it seemed curiously lightweight, fast and slick rather than darkly menacing. Part 2 moved on a much more certain trajectory; a single startling accelerando in the final *Danse sacrale* aside, it had a relentless momentum and machine-like accuracy.

Alongside those two supreme pieces *Falstaff* necessarily seemed high on rhetoric and thin on invention. Rattle's view of Elgar is in any case not unduly sympathetic, tending to push forward when a little more indulgent *nobilmente* would be appropriate, and making textures almost spikily expressionist when a Brahmsian blend seems to be called for.

Yet the forwardness and vigour of the playing sometimes compensated for the lack of real warmth. Played for all their expressive worth,the closing pages in particularcan be as moving as anything in English music; here, though, they just an elegant, dry-eyed pastiche.

With this *Falstaff* too, it must be reported that surtitles have arrived in the concert hall. In what the CBSO described as an "experiment", captions outlining the narrative of Elgar's scheme were projected onto a screen erected in front of the Symphony Hall organ. If it catches on, the possibilities are endless. Strauss's symphonic poems would be ripe for such treatment: those for the Sinfonia domestica, unexpurgated of course, will be awaited with lubricious interest.

Andrew Clements

Symphony Hall, Birmingham. Sponsored by Bull HN Information Systems Ltd

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Washington's Kennedy Center offers a Tribute to Germany over the next few weeks. The highlight is a visit by the Stuttgart Ballet with three programmes (April 28 to May 9), including John Cranko's Evgeny Onegin and choreographies by William Forsythe and Jiri Kylian. The other major visitor is the Theater des Westens from Berlin (April 29 to May 9), with a revue based on the cabaret nightclub style that flourished in the 1930s.

The concert programme features the Dresden Staatskapelle, who will be conducted by André Previn in symphonies by Mozart and Brahms on May 4, and the tenor Hans-Peter Blochwitz, who will give a Lieder recital the previous evening. Washington's own input will include performances by local choral societies of Bach's St Matthew and St John Passions and the B minor Mass on successive Sundays (April 5, 12, 19), and four National Symphony Orchestra concerts with music by Wagner and Richard Strauss (April 16, 17, 18, 21). There will also be a programme of German films from the 1920s and 1930s at the American Film Institute Theater, organised with the help of the Goethe Institute (information and tickets for all events: tel 202-467 4600).

A different kind of American link with Germany will be made next month by the Chicago Symphony Orchestra, whose whistle-stop European tour culminates with two concerts on April 15 and 16 at the Cologne Philharmonie. It will be the orchestra's first visit to Europe with Daniel Barenboim as chief conductor. The tour programmes include John Corigliano's First Symphony, Richard Strauss' Ein Heldenleben and a selection of Wagner orchestral extracts.

The other main stops on the tour are Madrid (April 7 and 8), London (April 10 and 11) and Paris (April 13 and 14). Before leaving for Europe, the orchestra will give concerts in Washington (next Wed) and New York's Carnegie Hall (next Thurs, Fri).

EXHIBITIONS GUIDE

BERLIN

Altes Museum Degenerate Art: avant-garde German art which fell foul of the Nazis. Ends May 31. Also German Expressionists: 120 watercolours and drawings by members of the Brücke, the Blaue Reiter, Kokoschka and others. Ends May 3. Closed Mon (Bodestrasse 1-3)

Brücke Museum The Brücke: 370 drawings and watercolours by members of the Dresden-based group of early 20th century German Expressionists. Ends May 17. Closed Tues (Bussardsteig 9)

Martin-Gropius-Bau The Jewish World. Ends April 26. Daily (Stresemannstrasse 110)

Schloss Charlottenburg Palace of the Gods: 1500 years of Indian art, including sculptures, reliefs and architectural fragments. Ends June 28. Closed Mon (Grosse Orangerie)

BUDAPEST

National Gallery Italian avant-garde art. Also the Hungarian Academy of Arts and Sciences in the 19th century. Open daily except Mon from 10.00 to 16.00, with choral music every Sun at 11.00 (Buda Castle Palace)

Kiscelli Museum Budapest at the turn of the century, plus 20th century art collection of the Municipal Gallery. Closed Mon (Kiscelli ut 108)

Kassak Museum Commemorative exhibition on Lajos Kassak, writer and painter. Also Photographs by Sandor Gonczi (1930-90). Closed Mon (Fo ter 1)

DRESDEN

Albertinum Johann Georg von Dillis: 160 works by the early 19th century Bavarian portrait and landscape painter. Ends May 3. Closed Mon

FERRARA

Palazzo dei Diamanti Claude Monet: 30 paintings from Monet's house at Giverny, including works given to Monet by Delacroix, Manet and others. Ends May 15

LONDON

National Gallery Rembrandt: major international collection of paintings by Rembrandt and his pupils, alongside a selection of his finest etchings on loan from the British Museum. Tickets can be booked in advance through First Call (071-240 7200, 24-hour service). Ends May 24. Daily

Tate Gallery Otto Dix: centenary exhibition. Ends May 17. Also David Hockney: seven paintings. Ends July 26. Also Brice Marden (b New York 1938): leading contemporary painter-engraver. Ends June 21. Also Turner: watercolours and drawings 1830-1840. Ends May 10. Daily

Royal Academy of Arts Alexander Calder (1898-1976): popular and witty US motion sculptor. Ends June 7. Also Andrea Mantegna. Ends April 5. Daily (Tickets can be booked in advance on 071-287 9579)

Barbican Van Gogh in England. Ends May 4. Daily

MADRID

Fundacion Juan March Alexej Jawlensky (1864-1941): retrospective of the Russian painter who was influenced by Matisse, settled in Germany and became friends with Klee and Kandinsky. The exhibition includes paintings from the Jawlensky archive in Switzerland, and from museums elsewhere in Europe and the United States. Ends June 14. Daily (Castello 77)

Biblioteca Nacional Ignacio Zuloaga (1870-1945): major international retrospective of one of Spain's greatest modern painters. Ends April 10 (Paseo de Recoletos 20-22)

Centro de Arte Reina Sofia Clyfford Still (1904-80): retrospective of the American abstract expressionist. Ends May 17. Also Visionary Switzerland: an expression of the Swiss identity in art. Ends May 10. Closed Tues

Museo Sorolla Zorn and Sorolla: the Swedish painter, Anders Zorn (1860-1920), and his friend, the Spanish painter Joaquin Sorolla y Bastida. Ends May 3 (Paseo del General Martinez Campos)

MUNICH

Villa Stuck Gianni Versace: fashion and stage designs. Ends May 10. Closed Mon

Kunsthalle der Hypo-Kulturstiftung Georg Baselitz: retrospective of the German artist, who ranks as one of the great painter-engravers of the 20th century. Ends May 17. Daily

NEW YORK

Brooklyn Museum Arman (b1928): 70 works by the French-American avant-garde artist. Ends April 26. Closed Mon and Tues

Metropolitan Museum of Art William Harnett: 50 works by a late 19th century American master of still-life painting. Ends June 14. Also Barbizon: six masters of the French 19th century school of naturalist landscape. Ends May 3. Closed Mon

Museum of Modern Art Contemporary American and European drawings. Ends May 5. Also the William S Paley Collection: works by Cézanne, Degas, Picasso and others. Ends April 7. Closed Wed

Whitney Museum of American Art Paul Strand: retrospective of the outstanding American photographer who died in 1976. Ends May 17. Also Terry Winters: mid-career survey of the abstract painter. Ends May 10. Closed Mon

PARIS

Centre Pompidou Czech Cubism 1910-25: architecture, design, visual arts. The many-disciplined approach of the exhibition brings out the specific character of the Czech movement which was influenced both by French Cubism and by Norwegian and German Expressionism. Ends May 17 (Galerie du CCI). Also Georges Rouault (1871-1958): the first little-known period of the artist's work is burdened by a religious sense of guilt, expressed in ferocious portrayals of prostitutes, judges and clowns. Ends May 4 (Grande Galerie). Closed Tues

Grand Palais Toulouse-Lautrec. Ends June 1. Closed Tues, late opening Wed. Tickets can be booked by phone on 4804 3886 and by fax on 4274 3069 (ave du General Eisenhower, metro Champs-Elysées, Clemenceau). Also Les Lautrec de Lautrec at the Bibliothèque Nationale (1 rue Vivienne, 2e) and other exhibits echoing Lautrec's world at the Musée d'Orsay. Ends May 31. Closed Mon

Louvre Clodion (1738-1814): largest exhibition ever devoted to the French sculptor, who specialised in small figures of nymphs and similar subjects treated in a frankly sensual way. Ends June 29. Closed Tues (Hall Napoleon)

Musée des Antiquités nationales The Stuart Court at Saint Germain en Laye at the time of Louis XIV. Ends April 27. Closed Tues (more information on 3451 5365)

Galerie Odermatt-Cazeau Germaine Richier (1902-1959). French sculptress. Ends April 25. Closed Sun (85 bis, rue Faubourg St Honoré)

WASHINGTON

National Gallery of Art Guercino: an exhibition marking the 400th anniversary of the birth of the great Italian baroque painter. Ends May 17. Also John Singer Sargent's El Jaleo, alongside related paintings and drawings. Ends July 5. Also Gerard David's St Anne Altarpiece. Ends May 10. Also Jacques Callot: etchings and engravings by the early 17th century French printmaker. Ends Sep 7. Daily

Hirshhorn Museum Martin Puryear: 35 grand wooden sculptures by the American artist who restores an unfamiliar warmth and gentle beauty to the look of contemporary art. Ends May 10. Daily

FINANCIAL TIMES

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Friday March 27 1992

Trouble in Docklands

OLYMPIA & YORK, the Canadian property developer, made a fortune in the 1970s by turning a derelict area at the base of Manhattan into the hugely successful World Financial Centre. In trying to repeat the trick in London's Docklands O & Y has hit trouble.

Much of O & Y's colossal office development at Canary Wharf is unlet and the developers are discussing their difficulties with about 200 banks. The question is what, if anything, should be done to influence the outcome in the wider interests of the capital.

The problem is not simply one of hubris and bankerly excess. Docklands, the largest urban redevelopment project in Europe, came into being because London's political institutions had failed. It was the chronic inertia of local Labour-run boroughs that led Mrs Thatcher's first government to set up a special development zone in the abandoned docks.

As the project progressed, mistrust between central government and Labour local authorities became all out war, culminating in the abolition of the Greater London Council in 1986.

It is hardly surprising that in these circumstances, relations between the development corporation and neighbouring Labour boroughs deteriorated or that strategic planners were ignored. The consequence was a catastrophe of infrastructure provision: Docklands lacks effective road and rail links to the nearby city. Only belatedly were plans laid to build new roads and to extend London Transport's Jubilee Line through Docklands. An immediate difficulty is that O & Y's promised commitment of £400m to the Jubilee Line extension is in doubt.

Relaxed rules

Canary Wharf's prospects were also hurt by the City's relaxation of its planning rules to allow a further 20m square feet of offices in the Square Mile. As a result the City has an unprecedented office vacancy rate of 20 per cent and rents on empty office space have halved.

It is tempting to argue that O & Y and the banks should be left to extract themselves from the mess. Since much of the bank debt was advanced by Canadian and other foreign banks, O & Y's problems are unlikely to pose a threat to the stability of the British banking system. Lower office rents are also a good thing, from the point of view of London's competitiveness as a financial centre.

That would have been no more than a marginal consideration in the 1980s. But the City's competitive edge, which used to rest substantially on a light regulatory touch in wholesale markets, is now under threat as other European countries deregulate their financial markets. London's financial services sector may continue to grow through the 1990s, but its share of international finance will probably decline.

Narrow view

The government, however, cannot afford a narrow view. Docklands, for all its faults, is crucial to the task of rebuilding east London's economy. This is desirable in its own right and essential if planning pressures in overcrowded west London are to be tolerable in the next economic upswing. Also, if Docklands cannot be made to work, there is no hope at all for the more ambitious east London corridor project. That project is in turn the key to connecting London efficiently to the Channel Tunnel, a task which the government has thus far addressed with dismal lethargy.

Whoever wins the general election will therefore look east from Westminster and see towering problems. The parties have proposed radically different blueprints for overhauling London's government: direct rule from Whitehall by the Conservatives and a new Greater London Authority from Labour. Neither has clear views on what should happen to the Docklands Development Corporation when its remit expires in the course of the 1990s.

London desperately needs clear thinking and resolute action on these complex strategic questions. Meanwhile, the government must ensure that the Jubilee Line project is safeguarded. The banks will argue that it is not for them to stump up the cash promised by O & Y. Yet their overriding interest lies in ensuring that the building finds tenants to fill the 40 per cent of space that remains unlet. Without that, loans will not be serviced and repaid. On this, at least, the government can afford to take a hard-nosed line.

Latin America, lost and found

CAPITAL IS once more flowing into Latin America. One estimate suggests more than $40bn in private capital flooded into the region last year, three times the 1990 inflow. Although undoubtedly encouraged by low US interest rates, a main motivation for the returning funds is the transformation of economic and trade policies in the region.

Latin America now boasts some of the most open trade regimes in the world. Its governments are seeking, and often succeeding in, reductions in budget deficits and are shedding the millstone of state-owned industries through privatisation programmes.

Much of the inflow takes the form of returning flight capital, money sent abroad in the 1970s and 1980s to shield it from government irresponsibility, of which a country's own citizens are often the best judges. This pool of capital, according to the head of the InterAmerican Development Bank, represents "the largest savings account in the developing world".

The region's potential has been enhanced by the Brady plan, the 1989 debt reduction initiative named after the US Treasury Secretary. The first and third most indebted nations in the region – Brazil and Argentina – should soon follow Mexico into a comprehensive Brady accord with commercial bank lenders. They may reach agreements in principle next month, although the deals probably will not be completed by the 10th anniversary of Mexico's announcement on August 12 1982, which marked the start of the region's debt crisis.

Past crisis

Provided economic reform continues, the accords should allow Argentina and Brazil to put their debt problems behind them. This is not a foregone conclusion – and smaller countries are still labouring under excessive debt – yet the debt crisis, in the sense of a problem blighting the whole region, is past.

These improvements mean that the last decade has not been entirely "lost" as some have suggested. Gone are most of the morally and financially bankrupt military regimes that featured in the region a decade ago. The inadequacy of the old protectionist model of Latin American economic development has also been laid bare.

Although economic reform still has a long way to go, there is optimism that what has been done so far has established a basis for sustained gains in living standards in a good part of the region. But these improvements will not be sustained simply on the back of economic reform.

Popular support

Indeed, this is the message of the abortive February coup attempt in Venezuela. President Carlos Andrés Pérez had moved ahead with certain aspects of economic reform but had failed in a crucial respect: to secure popular support for his programme.

Popular support has aided both the Mexican and the Argentine economic reform programmes. It was lacking in Venezuela partly because the provision of goods provided by the public sector – health care, education, public housing, clean water – was deteriorating. At the same time, while most sectors of the economy were being forced to forego traditional privileges, politicians were jealously preserving their own.

The Pérez government was unable to dispel the aura of corruption of Venezuelan politics. Since the coup, the president has announced initiatives to tackle corruption and alter the political and judicial system that foster it. This is belated but essential.

Mr Pérez will not solve his problems by rolling back his economic reform programme. But in Venezuela, and elsewhere, the programme will only succeed as part of a series of changes. These should seek to improve the effectiveness of a social safety net for the poor and increase the credibility of government institutions.

The aim should be to secure a proper role for government. Government should not be seen as the source of wealth: rather, it should be trusted as an arbiter, policeman and provider of public goods. Moving towards that ideal will not be easy. In some countries, there will be reverses such as that which almost overtook Venezuela. But rather like old age, difficult as that is, the alternative is a lot less attractive.

Bus competition fails the road test

Increased efficiency and innovation have come at a price, says **Richard Tomkins**

It is a wet morning in Merthyr Tydfil, South Wales. In most respects, the town is as quiet as one might expect: but the bus station is a scene of frenetic activity.

A few weeks ago National Welsh, the town's main bus operator, went into receivership. With the 1986 deregulation of Britain's bus industry leaving no barriers to entry, it was the signal for half a dozen other bus companies to speed into town and fight over the spoils.

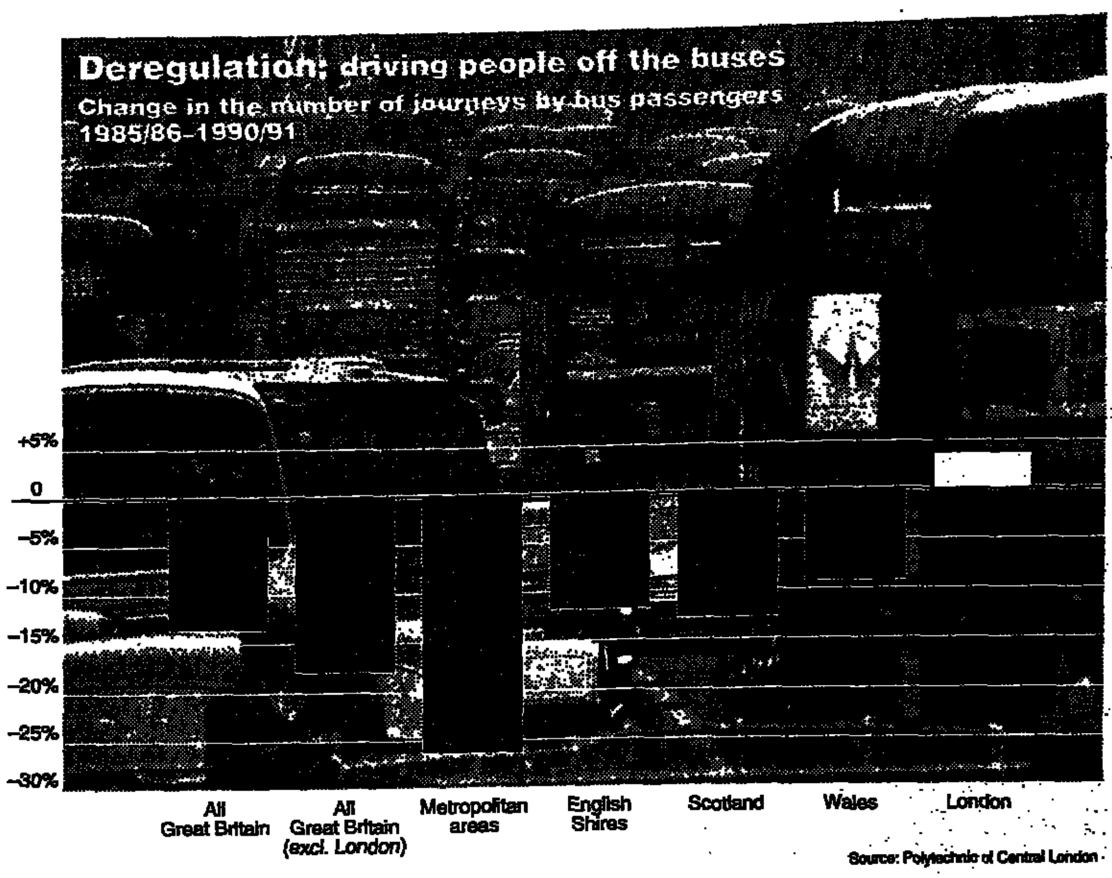
The result is close to anarchy. In this town of just 39,500 inhabitants, buses enter or leave the bus station at the rate of one every 30 seconds. Double-deckers, single-deckers, coaches, minibuses: they come in a bizarre array of colours, parking two or three abreast and proclaiming their destinations, if at all, with hand-scrawled notices stuck behind their windscreens.

One man is audibly cursing as he dodges his way between the vehicles. "It's chaos," he explodes. "We're wandering around like chickens with our heads cut off. Twenty years I've lived in this town, and I can't even find my own bus stop."

Merthyr's experiences of bus deregulation are not unique. Towns and cities throughout much of Britain have experienced bus competition and its consequences. London, with its special traffic problems, is alone in having been excluded from the experiment; but the Conservatives have promised to privatise and deregulate the capital's bus services, too, if they win the general election.

The aims of deregulation were praiseworthy enough. For years, Britain's bus system had been in decline. Part of the reason, the government argued in a 1984 white paper, was the highly restrictive licensing system which had operated for half a century. The 1985 Transport Act swept this system away, allowing anyone to run a bus service anywhere, except London, and paving the way for the privatisation of the state-owned and municipal bus operators.

In theory, greater competition should have led to improved efficiency, a proliferation of bus services, lower fares, and a rise in passenger numbers. And indeed, deregulation has scored successes.



Source: Polytechnic of Central London

Efficiency has increased. Department of Transport figures show that the average operating costs per vehicle mile have fallen by 36 per cent in real terms since deregulation (largely through reductions in wage costs). Local authority subsidies for bus services have more than halved from £465m a year to £219m at 1991 prices.

Innovation, too, has come to the industry – notably through the introduction of high-frequency minibus services in place of less frequent double-deckers. Total annual bus mileage has risen by 19 per cent since deregulation, reversing a long period of decline.

Arguably, however, these advances are far outweighed by the negative effects of deregulation:

- Fares have gone up, not down. Department of Transport figures show that fares outside London have risen by an average of 12 per cent in real terms since deregulation, largely because of the axing of subsidies.
- The pace of change in routes and services is such that many towns and cities are no longer able to offer up-to-date information on bus times and routes.
- Passengers have deserted the buses. Outside London, the annual number of journeys has fallen by 19 per cent since deregulation. In the metropolitan areas, they have fallen by 26 per cent.
- Competition is limited mainly to the busiest routes in urban areas. The effect is to worsen traffic congestion by spreading a declining number of passengers among more buses. Less profitable off-peak services have been cut because operators no longer make enough money from their busier services to cross-subsidise them.
- Wafer-thin profits have left operators unable to replace old buses. The proportion of vehicles more than 12 years old has grown from 19 per cent before deregulation to 34 per cent now. Britain's bus manufacturing industry has collapsed.

Six years after its introduction, then, deregulation has failed to reverse the decline of Britain's bus industry. Yet few would advocate a return to the old days. The Labour party wants to restore order by giving exclusive franchises for an entire town or region's services to a single operator. The bus companies want to be allowed to build up dominant market positions over substantial geographical areas.

The argument underlying both positions is that some of the best bus services outside London today are to be found in the small number of towns and cities where companies enjoy near-monopolies. Bus services in Bristol and Birmingham, for example, are comprehensive and orderly, timetable information is readily available, fares are reasonable, and the lack of cut-throat competition has allowed operators to invest in modern vehicles.

The bus companies argue that regional monopolies are fine as long as the threat of competition exists, because if an operator gets lazy or exploitative, rival operators will quickly emerge. But the Department of Trade and Industry has consistently intervened to obstruct merger activity in an attempt to preserve head-on competition.

Whatever the outcome of the election, that could change. The department is currently fighting a High Court ruling, upheld by the Appeal Court, that local bus monopolies affect too small an area to warrant intervention. If the House of Lords rejects the DTI's appeal case, the door will be opened to a wave of consolidation.

Such an outcome, however, is unlikely to deter the Conservatives from seeking to deregulate London's bus industry – an idea to which local authorities, consumer groups, the London Tourist Board and others are opposed.

These organisations have pointed out that efficiency has already been brought to London, where routes are still regulated but London Buses has to compete with the private sector for the exclusive right to operate them. Meanwhile, in spite of severe traffic congestion, London is one part of the country where bus use has actually risen since 1986.

The government argues that bus deregulation and the privatisation of London Buses would benefit the capital by encouraging innovation. Opponents, though, query whether this potential gain would outweigh the risks. Confusion over fast-changing routes and services could lead to mass desertion of the buses in favour of cars or the hard-pressed Underground; preserving the Travelcard system, which allows transfers between different transport operators, would become much more complicated; withdrawal of subsidies would push fares up; and, worst of all, traffic chaos could result from hundreds of one-person-operated minibuses on the capital's busiest routes.

It does not look like a vote-grabber. Far better, critics say, to keep the routes regulated and speed up buses with lanes and other priority measures. That, however, would mean clobbering car drivers.

Have fare, will travel

For the passenger, one of the most disturbing aspects of bus deregulation is the sense of disorder it brings to an industry which should have safety as its top priority, writes Richard Tomkins. Talk to anyone about buses in Merthyr Tydfil and, chances are, an initial outburst about chaos will be followed by the words: "One day, somebody's going to get killed."

The large numbers of competing buses mix uncomfortably with pedestrians in the town centre bus station, and in the narrow streets outside it, stop wherever they see a would-be passenger. Many of the vehicles look decrepit; others are painted in the liveries of companies from which they have been borrowed or bought, so it is difficult to identify who is operating them. Smoking on the buses is notionally banned, but no one seems to take much notice.

On a positive note, competition has brought huge increases in bus frequency to some areas. Trefechan, an outlying village of 400 homes, used to be served by two buses an hour: now, it has 20. But on some routes, operators simply duplicate each other's timings so overall frequency is the same. And in Merthyr and surrounding areas buses are a rare sight after 6.30pm on weekdays or any time on Sundays.

Some welcome the changes. For bus-spotters, Merthyr is paradise. "I've never taken so many pictures in half an hour," gasped one camera-toting spotter between snaps.

The FT's correspondent, too, was a beneficiary of deregulation. With a little over an hour to go before his return train from Cardiff to London, he sought advice at the tourist office on which would be the next bus from Merthyr to Cardiff station. The hapless assistant pointed to a sea of timetables from half a dozen operators, shuffled half-heartedly through a few of them, and confessed she could not tell.

Help, however, was at hand in the bus station. An employee of one operator said his company's next bus would not get to Cardiff until well after the train had gone. Then, leaning forward and jabbing a finger towards a single-decker a few paces away, he murmured: "I shouldn't be telling you this, but that's a Cardiff bus."

The aged vehicle bore no visible clues as to its ownership or destination. The only occupant was the driver, slumped disconsolately over the steering wheel. He sat up, opened the doors and asked: "Cardiff?"

"Yes. But I've got to be there for the 3.25pm train to London. What time are you going?"

Peering out at the empty bus shelter and gazing back round the empty bus, he shrugged his shoulders and replied: "Now?"

The suggestion eagerly greeted, he exchanged £2 for a ticket, started the engine, rammed the bus into gear, and roared off down the Taff Vale to the accompaniment of a thousand rattles.

One ear-splitting, bone-shaking hour later, the bus groaned into the terminal outside Cardiff station with minutes to spare before the train's departure. The driver looked pleased with himself. "I didn't think we'd make it, to be honest," he said. "This thing's not supposed to do more than 45mph."

During the whole of the 24-mile journey, the 52-seat bus had only picked up one other fare-paying passenger – a woman with two infants. The fares paid would not even have covered the cost of the fuel consumed. There was nobody waiting for the journey back.

Joe Rogaly

Shrink-wrapped words

Slowly, day by day, the Conservatives' confidence is slipping away. They still speak of victory, but with faltering voice.

The second week of the election campaign has been no kinder to them than the first. The reckoning is the same. The contest was timed to coincide with the depths of a prolonged recession. The Budget misfired. The manifesto made little impact. The prime minister's quiet charm is an asset, but his apparent lack of forcefulness as a public speaker is not. Thus for the Tories the balance sheet of the first fortnight makes grim reading. Their strategy is flawed: their tactics inept: their leader disappointing. What they need to lift their spirits is a convincing turnaround in this weekend's crop of opinion polls.

It is a slim chance, but it could happen. That is why the Conservatives have not yet cracked. They do not feel that they are certain to lose. The scores registered in the polling that took place yesterday and continues today and perhaps tomorrow will be important. The results, when we see them, just might indicate that Tuesday night's celebrated Labour political broadcast on the National Health Service, featuring a little girl in pain, has done the opposition more harm than good.

That, at any rate, is the Tories' hope. On Wednesday, the row about the degree to which the film accurately represented the true facts of an individual case was belatedly recognised by Conservative central office as an opportunity. Led by Mr John Major, the senior figures in the administration drew adjectives out of a hat and pelted them across the airwaves at Mr Neil Kinnock. The hunt was on.

The expectation was that the Conservative tabloids would come to the aid of the party. They did. Their hounds were set the task of catching Mr Kinnock and tearing him to pieces. Until this week Labour's rosé pimpernel had led them a merry dance. Now the Tories dreamed, he would be caught, exposed as unfit to govern. Their initial strategy was based on the anticipation of a big event, a grievous error by their opponents, an electrifying issue – something that could enable them to impugn the character and judgment of Mr Kinnock. Perhaps this was it.

Perhaps it was. Nobody can yet tell for sure. We are all slaves to Mori, Gallup, NOP, ICM and the other witchdoctors of the modern electoral process. This weekend they will test the conventional wisdom, which is that bickering over details of who said what merely bemuses the average voter. What is more to the point is that when prominence is given to allegations that the health service is "underfunded", or "two-tier" or otherwise imperfect, Labour benefits. It always has. I expect the same to happen this time.

The real questions facing the electorate are not being debated with any rationality

Meanwhile, I see no reason to anticipate any significant change of voting intention in either direction. For most of this year, the two larger parties have been running neck-and-neck. That suggests a hung parliament. During the past fortnight, Labour has edged ahead by one or two percentage points. That suggests that it might be the largest party in such a parliament. There are other possibilities. Individual polls stimulate widely different conclusions. Some award an overall majority to the Conservatives one day and, on the following day, a result near to that for Labour. But the moving averages tell a duller, more credible tale. In sum, it is: Tories 39 per cent, Labour 40-41 per cent; both holding.

If that pattern sticks for the next fortnight it should put Mr Kinnock into Number 10 Downing Street. I say "should" rather than "will" because this is a funny old election. A movement of a fraction of a percentage point in the overall share of votes cast could result in the Conservatives being the largest party. A differential swing in the regions, or the key marginals, could achieve the same result.

The Tories, who only a couple of years ago were serenely confident of their invincibility, are thus reduced to clawing for fractions, fighting for a draw. They have to move fast to erode Labour's distinct lead, and a whole lot further to recapture the extra three or four percentage points that would give them an overall majority. They have been expecting signs that some of the necessary succour will come from Liberal Democrats who would rather vote Tory than endure a Labour government. Even that hope begins to fade.

Meanwhile, there are plenty of real questions facing the electorate. Just how is growth to be resumed? What chance is there for either public spending or tax cuts while the public sector borrowing requirement heads for the stratosphere? These are not being debated with any sense of rationality. Britain's membership of the exchange rate mechanism is not an election issue. The environment has been sidetracked.

Our politicians are offering us nothing but shrink-wrapped words. On today's figures, no party is set for an overall majority. They all deserve to lose.

Fears of environmental liability are making banks hesitate before lending to some businesses. **David Lascelles** explains

Only clean and green borrowers need apply

Mrs Anne Evans knows about dirty industries. The US businesswoman and her company, Elm Energy, are about to build a £50m electricity generating plant in the British Midlands to burn used rubber tyres – the first of its kind in Europe.

Not that the plant will besmirch the Midlands environment: it uses the latest clean technology, and has the blessing of Her Majesty's Inspectorate of Pollution. The UK government also gave it enthusiastic support because of its pioneering nature.

Mrs Evans's problem was with the banks, from which she was trying to raise £35m in loans. Although they were satisfied about the quality of the technology, they were anxious about the green aspects of the plant. Did Mrs Evans have all the right permits, would she be able to dispose of the waste products, and – their greatest worry – was there any danger of land contamination?

After more than a year of negotiation, Mrs Evans finally secured the money she needed, but she reckons that environmental issues added greatly to her upfront costs, in lawyers' fees alone. "If banks are worried about contaminated land, they should not be lending in the Midlands," she says. "They should be lending in the middle of the desert."

Harrisons & Crosfield, the UK chemicals and feedstock company, also knows about financiers' worries. Since last August, it has been negotiating a $120m private placement with a group of US institutions. But Harrisons owns 110 chemical sites in the US and the institutions insisted on inspecting each one before they would commit themselves. Eventually, Harrisons persuaded them that they need only visit a fraction of that number, and gave them documentation for the rest. But the delays and lawyers' fees have added noticeably to the cost.

"This is clearly indicative of a trend," says Mr Bill Turcan, Harrisons' finance director.

The lenders' fears are twofold. One is that a customer could be caught up in an expensive environmental lawsuit which might impair its ability to repay its loan. The other is the extent of a bank's own liability for the environmental damage caused by a borrower – a legal grey area which bankers see lawmakers longing to fill to their cost.

"We are worried about the uncertainty and the legislation that could come out of the UK and Brussels," says Mr Humphrey Norrington, deputy chairman of Barclays Bank, one of the two banks involved in the Elm project, the other being Fuji Bank of Japan.

There has always been a danger that banks will find themselves liable for penalties incurred by a company when they foreclose on it because it cannot pay its debts. The act of foreclosure makes them owners of the company's property, and responsible for any pollution it has caused. More recently, though, there have been suggestions that banks might also be made liable simply by virtue of their lending relationship, regardless of whether or not they foreclose.

The fear was triggered by a notorious court case two years ago in the US involving a company called Fleet Factors, which set a broad precedent for bank liability for clean-up costs. The court ruled that banks must pay if they participate "in the financial management of a facility to a degree indicating a capacity to influence the corporation's treatment of hazardous wastes". A bank did not have to exercise that capacity to be liable.

The more a company needs finance to clean up its act, the less likely it is to get it

The case sent shock waves through the financial community and provoked several attempts – so far unsuccessful – to introduce new legislation into Congress which would define liability much more tightly, or specifically exempt secured lenders.

The position in the EC is less clear. Although several member states have laws defining liability for environmental damage, none has so far created any big problems for banks. However, last year the EC Commission produced a draft directive on civil liability for damage caused by waste, which said that "the producer of waste" would be liable "irrespective of fault on his part". Although it was not clear whether a lending bank would count as "a producer", the strictness of the proposed liability sent further tremors through bankers' ranks.

Since then, the Commission appears to have retreated on the proposal. Instead, it is preparing a green paper on liability for environmental damage which will address the issue again. However, officials say this will be more of an exercise to provoke discussion than an attempt to define precise borders to liability.

Some UK bankers are not satisfied by this. Mrs Hilary Thompson, head of the environmental management unit at National Westminster and a leading lobbyist, says that remarks made by EC officials to her suggest that they intend to take a tough line.

"What they forget is that we might stop lending to these people," she says. The irony is that the more a company needs green finance to clean up its act, the less likely it is to get it. Mrs Thompson is proposing that secured lenders be exempted from liability provided they exercise due diligence before lending to a company which subsequently causes damage. This would probably involve that company carrying out an environmental audit as a condition for a loan.

British bankers' worries have been noted by the UK government. Mr Michael Heseltine, environment secretary, told a recent audience of City financiers: "There are real concerns in this area which I recognise." But he assured them: "We shall be looking for workable solutions in which we are equally as clear about the effects on business costs as we are about the beneficial effects on the environment."

What is already clear is that anxiety about these issues is much higher in the Anglo-Saxon world than on the Continent. This is partly because of the Fleet Factors case, and the fact that the US and the UK share similar legal traditions. In continental Europe, lawyers say, the Napoleonic traditions treat liability more narrowly. Also, enforcement of any environmental legislation from Brussels would be a matter for individual countries, so differences in legal traditions could have a significance.

It is not clear quite how dampening an effect such worries are having on bank lending. It has certainly been in the banks' interest to sound the alarm bells to reinforce their case. But, though Mrs Evans's experience shows how closely banks are scrutinising sensitive projects, they are still willing to lend to them provided they are well-managed and financially sound. The Chemical Industries Association, representing the UK chemical sector, says it is unaware of any significant financing problems among its members.

But whatever form the EC's legislation ultimately takes, banks will play an increasing role in policing the environment. To protect themselves, all the big UK clearing banks have introduced procedures to check out customers' environmental records before advancing a loan, and to keep watch until it is repaid. And checks are bound to get tougher.

"Lenders become essentially an enforcement agency," says Mr Steve Jones, a lawyer with Jones, Day, Reavis & Pogue of Washington which specialises in environmental issues. "Almost all US property now goes through a site assessment, and I would be surprised if a similar process did not evolve in Europe."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Hands off the sumo wrestler

From Mr Paul Blamire.

Sir, You report that the Samoan wrestler Konishiki is set to become yet another *cause célèbre* in the absurd skirmishing between Japan and the US ("US and Japan tussle over gentle giant from Hawaii", March 24). If the US senate does intend using Konishiki as a battering ram (for what, one may wonder), then it could usefully bear in mind one point that your correspondent, too, has overlooked.

It is not disputed that some of those who govern sumo are nervous about a foreigner becoming *yokozuna* – in much the same way that people didn't like Kerry Packer's cricket. Whether these people are called purists or racists is a separate argument. However, the factors for promotion in sumo, in addition to the qualities of technique and character that your correspondent mentions (and admits that Konishiki lacks to a degree), include a clear guideline – that he win two consecutive tournaments, or achieve the same score as the eventual winner (this isn't as daft as it sounds). Konishiki has failed thus far to do either.

Sumo's governing body has to deal with a number of problems in the sport, including the consequences of recently promoting several wrestlers to *yokozuna* who then failed miserably. They are keen to avoid this mistake again. Whatever the "racist" views of the popular press in Japan, Konishiki will or won't become *yokozuna* in much the same way that all his Japanese predecessors have. US government, hands off.

Paul Blamire,
1-2-12 Midorigaoka,
Meguro-ku,
152 Tokyo, Japan

Key election issue is interest rates, not fast tax footwork

From Mr Philip Blowfield.

Sir, The only issue which matters to me in this election is whether interest rates go up or down. All the fast footwork over marginal tax rates seems irrelevant when the impact of a 1 or 2 per cent interest rate change is considered. Yet this is the issue which dares not speak its name: no politician mentions it, even the retiring Thatcherite gang to whom it once seemed so important.

This joint political conspiracy to deny debate is a scandalous rigging of the electoral agenda. Will debate really send the markets into a spin or, even worse, direct the new bank to Frankfurt? Meanwhile, we Britons sacrifice our prosperity on behalf of eastern Germany. There they aspire to a better lifestyle while here we contrive to constrain our own.

Is there not one politician prepared to break a vow of silence over the ERM orthodoxy. What price are we expected to pay for "convergence"? With real interest rates at 8 per cent or more the political consensus is for a deflation far exceeding the £2.3bn palliatives all parties claim will lift recession.

I suppose we can look forward to a time when, with our industry completely destroyed, we may benefit from EC Regional Aid swollen with the contributions from prosperous East Germany!

What are the gains from unnecessary high interest rates and artificial exchange rates? The politicians have fled both from reality and the consequences of explaining all to the electorate, guided, I suspect, by the same Treasury bureaucrats who have shown such skill in managing the soft landing of our own economy.

Philip Blowfield,
15 Latimer,
Stony Stratford, Milton Keynes

Faults in an Irish model

From Mr Charles Hazell.

Sir, Having farmed and run a small data-processing business in the Irish Republic, and more recently attempted to sell abroad the services of an indigenous manufacturing operation which was a model of efficiency, I have to take issue with Anthony Harris's comments about the country ("An Irish model for Britain", March 23).

The balance of trade does look good, but about 80 per cent of the non-food exports come from international companies employing transfer pricing in the European Community's most favoured tax haven. Of the food exports the largest item is cola concentrate produced by another international company and employing a few hundred people.

The remaining luckless indigenous Irish industry has to be super-efficient to overcome the currency hurdle imposed by the European Monetary System. This improbable task is not encouraged by the highest personnel tax regime in Europe which in turn is compounded by the cost of the highest national debt per capita in the world. Little wonder that unemployment is at 20 per cent, and this after a continuous stream of some 20,000-30,000 young educated people leave the country each year.

If this is "a model of how ERM disciplines are supposed to work", then God help us.

Charles Hazell,
16 Bemish Road,
Putney, London

Iraq-Kuwait border

From Mr Miklos Pinther.

Sir, With reference to your article, "UN aims to redraw border of Iraq and Kuwait" (February 19), to date no final recommendations on the actual boundary have yet been made. The ground survey and aerial photography work in the border area have been completed. This new, highly accurate survey, along with earlier maps, charts, aerial photographs and other documents, will be used to determine the precise boundary for demarcation purposes. The United Nations Iraq-Kuwait Boundary Commission will meet in April when it will review the results of the surveying and mapping and address the actual demarcation of the boundary.

Miklos Pinther,
secretary,
United National Iraq-Kuwait Boundary Demarcation Commission,
New York, NY 10017,
US

Land values and clean-up costs

From Dr D C Hockin.

Sir, John Hunt's article, "Erasing the black marks" (March 25), referred to the minister for the environment's recent announcement to defer compilation of the public register of potentially contaminated land. He dwelt upon the concern, expressed widely by landowners and their professional advisers, of planning blight.

In an active land-dealing market an owner of industrial land featuring in the prospective register might have to offer a discount to a potential purchaser, if, in the absence of any detailed site investigation, his consultants are unable to assess the risk that the site may attract and estimate the costs of clean up.

I would argue that these discounts apply to all industrial land today, in advance of the opening of any register. The problem of discounting will become more apparent when the land market is restored: contaminated sites for which there are no survey data will be further devalued, and sites which have either been treated (even though they may remain on a future register) or simply surveyed allowing quantification of the problems and costs a developer may face, are likely to attract a premium.

These issues need to be addressed urgently, regardless of the administrative details of implementation of Section 143 of the Environmental Protection Act of 1990.

D C Hockin,
director,
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OBSERVER

Flying colours

■ Readers finding Britain's election campaign dull may like to know it has at least provided one surprise, albeit outside the UK. It happened to a party of Brits returning from ski-ing in Austria.

When they went to board their flight home at Salzburg airport, they were stunned to find the Stansted-bound aircraft gaily emblazoned with the Labour party campaign motif, complete with red rose.

One of the skiers, Tina Pulsford, marketing services manager with Hayters of Bishops Stortford, says the 80 passengers were disgusted. "We didn't expect to be flying home in an advertising vehicle. We don't want political opinions forced on us - especially as we're the sort of people that Labour intends to clobber."

Some passengers threatened not to board the plane. But all finally did so, even though not entirely pacified by British Air Ferries' explanation that the plane was going on to fulfil a Labour party charter.

"Mind you, we did have the last laugh once we boarded," says Pulsford. "The interior of the Red Rose special is bright blue."

Recovering well

■ Peter Jacobs, the old British Sugar hand who took over as Bupa's chief executive last year, is delivering on his promise to make the private health group more commercial while retaining its compassionate image.

On Monday he reported that Bupa had turned a £28.2m deficit into a £1.3m surplus last year. Yesterday, he introduced the compassionate image in the form of Sir Bryan Nicholson, the Post Office chairman and chief executive, who is to succeed Lord Wigoder as Bupa's chairman.

Nicholson came to public prominence as chairman of the then Manpower Services Commission in 1984 – he was knighted for his services there when he left in 1987 – and his work on unemployment and training schemes revealed him as a businessman with a strong social conscience. He still chairs the National Council for Vocational Qualifications and the CBI's education and training committee.

No doubt Jacobs will want to take advantage of Nicholson's business experience as well as his reputation for compassion. The private health care market is even more cut-throat than the new, commercial NHS, and Bupa's position as market leader is under increasingly heavy attack.

Fresh prospect

■ Having already found and sold a gold mine, Chile's Julia Aspillaga is opening up a new line of career. With today's launch of a Santiago office by Yorkton Securities – the first Canadian brokerage house to set up in Chile – she is to act as its investment adviser there.

The well connected mining entrepreneur first broke into the industry by joining Anglo American's subsidiary in Chile on the administration side in the 1980s. She then branched off on her own and has been involved in numerous mining projects, including the San Cristobal gold mine, eventually sold to Battle Mountain Gold's subsidiary, Niugini Mining.

While going on running her Windsor Resources exploration company, which is looking for more gold and copper projects, at Yorkton's office she will work with another woman with mining even deeper in her veins: operations manager Catherine McLeod.

"It's your turn to be deaf for a year"

Daughter of Canadian mines man Don McLeod, she has worked mainly as a banker and broker to the mining community. She says that, by having people on the spot, Yorkton should be well set to win business from the expected second wave of mines investment in Chile – now the mining houses' favourite stamping ground.

Hanson alumni

■ It's always worth keeping an eye on what happens to the former acquisition chiefs in Lord Hanson's entourage.

Greg Hutchings (class of '83) is the obvious star. He has taken Tomkins into the FT-SE 100 and his company now sports a much racier share rating than Hanson. John Newman (class of '77) is doing a reasonable job at TT Group, and the smart money at Hanson is on Philip Turner (class of '87) currently running Wassall with Chris Miller, one of the Lord's former personal assistants. Now Andrew Arends, another old Hanson alumni, has popped up as business development director of Bunzl. It is not a main board appointment, but then Arends – Oxford, Financial Times and Harvard Law School – is far younger than the rest having just turned 30.

Recruited by Lord White, he served on Hanson's Consolidated Gold Fields and Beazer acquisition campaigns. However, he was moved sideways after the arrival of Chris Collins – the man with the ICI idea.

Students of form might think that if Arends is as good as he sounds, then he could have done better than struggling Bunzl. However, he still has plenty of time to prove himself.

Goodbye Peter

■ It is a bit off that Peter Drew should be bundled out of Taylor Woodrow's chairman's seat with such unseemly haste.

One minute he is dreaming of his retirement as chairman of Britain's most respected construction company - albeit one a bit down on its luck. The next he is retired with immediate effect and the board's "best wishes". After 26 years' service, the top man might surely have been given more than 24 hours to clear his desk, however bad a job he has done.

Heaven forbid, but could the swiftness of his exit have anything to do with the end of the tax year on April 5 and the possibility of a Labour Government a few days later? One assumes that the company is being more generous with his settlement than it was with his period of notice.

Scarce scousers

■ Handwritten notice in the window of a corner shop in Liverpool:

Urgent. Customers required. Apply within.

FINANCIAL TIMES
Friday March 27 1992

Conservatives and Labour argue bitterly over girl in party broadcast

UK campaign turns on an ear

By Ivo Dawnay, Michael Cassell and Alan Pike in London

THE BRITISH election campaign turned into the "War of Jennifer's Ear"* yesterday, as a ferocious row over who leaked the name of the sick child who featured in a controversial political broadcast drove all other issues off the agenda.

To argue Labour's case that the Conservatives were turning medical treatment in Britain into a two-tier system, the broadcast contrasted the different fortunes of two young girls with similar ear complaints. One was treated in the state-run National Health Service, the other privately.

Yesterday, amid scenes of near pandemonium in both main parties' camps, the ruling Conservatives and the opposition Labour party vied repeatedly to take the high moral ground by charging their opponents with cynically abusing a family's privacy for their own political ends.

The dispute centred on who had identified Jennifer Bennett, the five-year-old girl whose wait for ear surgery was highlighted in the broadcast.

After a series of increasingly acrimonious news conferences, which first put Labour on the defensive, the day ended with the Conservatives in retreat when Mr William Waldegrave, health secretary, conceded that officials in his party's central office had put the doctor in the case in touch with a newspaper.

Conservative officials last night went so far as to issue a "categorical denial" that Mr John Major, the prime minister, had known anything of the party's contacts with the child's family, the consultant or the media.

There are few doubts, however, that the row that began with the broadcast last Tuesday has proved damaging to both parties as the Conservatives have attempted to charge Labour with inaccuracy and scaremongering, while the latter has countercharged that the Conservatives were dodging the issue of NHS underfunding by "smearing" Mr Neil Kinnock, Labour's leader.

The clearest beneficiary from the bitter fight may turn out to be the centrist Liberal Democrats. Their leader, Mr Paddy Ashdown, last night lambasted both his rivals for descending into "personal vituperation and abuse" while failing to offer "a single positive idea" for the NHS.

The Conservatives received another rebuff yesterday when the British Medical Association, which is politically neutral, rejected the central elements of the government's health reforms.

Some BMA members believed that yesterday's conference, arranged before the election was called, should not have taken place at such a politically sensitive time. But an effort to adjourn it received little support.

Overtly partisan points were avoided during yesterday's conference, but the debate revealed doctors' continuing hostility and suspicion about the reforms.

**The War of Jenkins' Ear, one of Britain's lesser known conflicts, began in 1739, eight years after Captain Robert Jenkins' ear was severed by the crew of a Spanish vessel who attacked and plundered his brig off Havana.*

Election 1992, Pages 8-9
Shrink-wrapped words, Page 14

Ukraine could bargain with N-arms

By Chrystia Freeland in Kiev

A PROPOSAL for Ukraine to retain nuclear weapons as a bargaining chip so that reductions could be achieved in the arsenals of other ex-Soviet republics is among confidential proposals drawn up by the Ukrainian parliament's defence committee.

The proposals, which are expected to provoke a fierce debate in parliament next week, suggest that Ukraine should rethink its pledge to remove all strategic weapons by the end of 1994.

Coming hard on the heels of Ukraine's decision to halt shipments of tactical nuclear weapons to Russia for dismantling, the suggestion is likely to cause further misgivings in the west and exacerbate strains between Kiev and Moscow.

All tactical nuclear weapons were to have been shipped to Russia by July 1. Ukraine has between 2,000 and 4,000 tactical weapons and 176 long-range strategic missiles. Of these, 130 are scheduled for destruction over seven years under last year's US-Soviet Start treaty.

Apart from Ukraine, Belarus and Kazakhstan are the other non-Russian republics with nuclear weapons on their territory.

One deputy closely involved in the debate said the committee was proposing that Ukraine "retain the right to reconsider the time-frame for the shipment of nuclear weapons out of Ukraine depending on developments in the Commonwealth of Independent States".

Mr Mykola Porovsky, a member of the defence committee, outlined the three prongs of the proposed nuclear policy.

First, rather than make unilateral cuts in the force on its territory, Mr Porovsky said Ukraine should negotiate with other republics on disarmament.

Secondly, he said Ukraine would insist on having the technical means to prevent the use of nuclear weapons on its territory, rather than simply being consulted by Russia.

The third prong would reinforce this control by assuming jurisdiction over the personnel assigned to the strategic forces stationed in Ukraine.

That process has already begun at the Uzin and Vinnytsia strategic air bases where commanders and a majority of soldiers have taken an oath of allegiance to Ukraine despite strong pressure from CIS headquarters in Moscow.

Similar stand-offs are likely to develop throughout Ukraine, notably over the Black Sea fleet. A western military attaché predicted that most soldiers and sailors stationed in Ukraine would opt for Ukraine as they did at Uzin.

Some western observers accepted that western policy was partly to blame for Ukraine's second thoughts about removing the weapons. "The west must reward Ukraine, at least politically, for its non-nuclear stance", a senior diplomat said.

Three British lawyers listening to Libya's representative yesterday at the International Court of Justice in The Hague. Libya sought help from the court against western demands that it hand over two Lockerbie bombing suspects

West rejects new Libya offer on Lockerbie

Continued from Page 1

it will hand the two suspects to the US or Britain. British officials characterised the Libyan offer as vague and a further attempt to stall a UN Security Council vote to impose sanctions. They said the UN had neither the competence nor mechanism to deal with "civil criminal matters".

Officials stressed that UN resolution 731 calls simply for the two men to be handed over to the US or Britain for trial. "Resolution 731 is there, and it's perfectly clear," said one.

In Cairo, meanwhile, an Arab League spokesman said a special seven-nation committee to broker a solution had frozen its effort after returning empty handed from a trip to Libya this week.

Although a Libyan envoy is due in Cairo to meet Mr Esmat Abdel-Maguid, the Arab League secretary general, the League has made clear there is nothing more it can do to mediate without greater co-operation from Tripoli.

The Security Council began private consultations late yesterday to hone the text of a resolution imposing an arms and civil air embargo and restricting the number and movements of Libyan diplomats. Talks are expected to continue over the weekend with a vote likely on Monday.

Pole first past the post at Calumet auction

By Jurek Martin in Washington

The US lost another bit of its "heritage" to a foreigner yesterday, though not to a Japanese or to any member of a European or Asian royal family.

In Lexington, Kentucky, Calumet Farm, perhaps the most famous name in thoroughbred horse racing, was sold at a bankruptcy auction for $17m to Henryk DeKwiatowski, a Polish-born aircraft broker who lives in the Bahamas.

Mr DeKwiatowski outbid Mr Issam Fares, described as a Lebanese businessman, in what turned out to be a two-person auction. There had been speculation that the Sultan of Brunei and even the Queen of England might bid, along with such domestic luminaries as George Steinbrenner and Jack Kent Cooke, respectively owners of the New York Yankees baseball team and the Washington Redskins football side, and Ted Turner, of the CNN TV network

The new owner, who races many leading horses in the US, promised a cheering crowd that the farm "will not be changed – not one blade of grass."

The sad decline of Calumet Farm, which has bred more Kentucky Derby winners than any other, is typical of the state of the thoroughbred and race industry in the US. A family concern since the 1920s, it was profitable and free of debt as recently as 1982. Its value five years ago was estimated at $60m.

Its fortunes changed when its matriarch, Lucille Markey, died in 1982 and control passed to her grandson-in-law, J.T.Lundy, who embarked on a renovation and expansion programme. This fell foul not only of the subsequent recession but also of the change in the tax laws in 1986, which eliminated many tax breaks on horse race ownership.

It was declared bankrupt last year, more than $70m in debt and facing creditors who have subsequently filed $27m worth of lawsuits. The last horses were sold off at knock-down prices. Yesterday auction's was for the 820 acre spread and buildings.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	7	45	Frankfurt	C	8	46	Madrid	F	9	48	Nicosia	S	20	68	Tenerife	F	20	68
				Brussels	C	4	39	Geneva	F	7	45	Majorca	S	14	57	Oporto	C	12	54	Tokyo	R	12	54
				Budapest	F	6	43	Gibraltar	S	16	61	Malaga	S	16	61	Oslo	R	3	37	Toronto †	C	4	39
Ajaccio	S	14	57	Buenos Aires	F	24	75	Glasgow	F	8	46	Malta	S	16	61	Prague	F	5	41	Tunis	F	16	61
Algiers	F	11	52	Cairo	S	25	77	Helsinki	Sn	0	32	Manila	F	35	95	Reykjavik	C	-1	30	Valencia	F	12	57
Amsterdam	C	7	45	Cape Town	S	30	86	Hong Kong	R	17	63	Melbourne	F	31	88	Rhodes	S	17	63	Venice	R	8	46
Athens	S	18	64	Caracas	C	31	88	Innsbruck	F	3	37	Mexico City	R	27	80	Rio d'Janeiro	R	35	95	Vienna	R	3	37
Bahrain	R	17	63	Casablanca †	C	17	63	Inverness	R	4	39	Miami †	S	19	66	Rome	F	14	57	Warsaw	C	5	41
Bangkok	C	33	91	Chicago †	F	3	37	Islamabad	R	16	61	Milan	F	10	50	Salzburg	C	4	39	Washington †	R	7	45
Barcelona	F	12	54	Cologne	R	5	41	Istanbul	S	17	63	Montreal †	P	3	37	S'Francisco †	S	11	52	Zurich	C	5	41
Beijing	S	16	61	Copenhagen	S	6	43	Jakarta	R	33	91	Moscow	F	7	45	Seoul	S	16	61				
Beirut		–	–	Corfu	F	17	63	Johannesburg	F	22	72	Munich	S	4	39	Singapore	F	33	91				
Belfast	F	5	41	Dallas †	S	8	46	Lima	F	28	82	Nairobi		–	–	Stockholm	F	3	37				
Belgrade	S	23	73	Dublin	R	8	46	Lisbon	F	15	59	Naples	F	18	64	Strasbourg	F	9	48				
Berlin	C	7	45	Dubrovnik		–	–	London	C	7	45	Nassau	C	25	77	Sydney	F	23	73				
Biarritz	R	9	48	Edinburgh	C	7	45	Los Angeles †	C	14	57	New Delhi		–	–	Taipei	C	22	72				
Bombay		–	–	Faro	S	17	63	Luxembourg	Sl	2	36	New York †	F	9	48	Tangier	F	15	59				
Bordeaux	C	10	50	Florence	F	6	43	Madeira	F	16	61	Nice	S	13	55	Tel Aviv	S	21	70				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

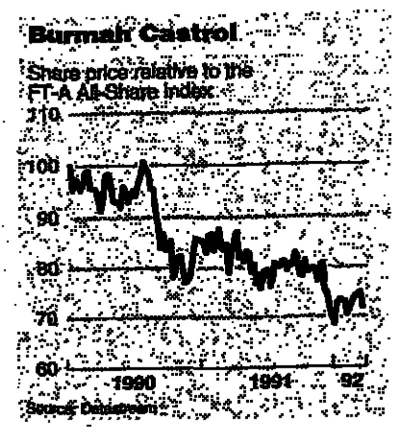
New yarn from Coats

Coats Viyella has a well-deserved reputation for squeezing cash out of textiles; it has not been everyone's first choice in the past for a financial reporting award. Even recognising the need to explain how Tootal has been integrated and the forthcoming requirements of the Accounting Standards Board, however, the quality and sheer volume of information backing up the 1991 results merit at least a commendation. The Coats charm offensive still has some way to go to convince City sceptics; other companies pondering the limits of disclosure might reflect on yesterday's 5 per cent jump in the shares.

Eyebrows will still be raised, of course, by the £88m of fair value adjustments and integration provisions. The figure is high in relation to expectations, but, to be fair to Coats, can probably be reconciled with the dreadful performance of the fabrics division. In any case the way existing provisions have been scrupulously reversed into an extraordinary 1991 gain should inspire confidence that Coats would not resort to any acquisition accounting sleights of hand.

The main message from yesterday's figures is that even in a prolonged recession Tootal was a sound buy. The feared loss of thread market share, for example, has not materialised and savings look to be coming through as planned. The balance sheet is a bit stretched by Coats' historic standards, but given the strong cash flow from continuing operations gearing should fall fairly quickly. That said, the shares may be held back by short-term political uncertainties and doubts about the profits momentum in 1993.

FT-SE Index: 2472.2 (+7.3)



Burmah Castrol

Yesterday's 8.5 per cent jump in Burmah Castrol's shares tended to obscure the fact that the market was rather vexed at the group's annual results. Six months ago, Burmah was determinedly talking down expectations. Investors were only too willing to listen, not least because the takeover of Foseco in late 1990, while grudgingly accepted in strategic terms, was looking ill-timed as its traditional markets were hit by recession.

In the event, Foseco had a resilient second half. The £44m sale this week of its ceramics and abrasives business eased worries that Burmah would be left warehousing a set of rapidly diminishing assets. Castrol managed a record year despite lower worldwide demand for lubricants, confirming Burmah's ability to make the most of the brand. And the company has continued to sharpen its focus, notably by putting its numerous oil and gas interests in Pakistan up for sale.

The question is whether the re-rating should go further. There are grounds for caution in the short term. The group has an unenviable tax problem and, treating its convertible as debt, gearing of 64 per cent. But even after yesterday's adjustment, the shares are on an undemanding prospective multiple of 11. If Burmah performs as well in recovery as it has in recession, its shares will deserve a premium rating. Investors tempted to buy will doubtless concede the sense of doing so sooner rather than later.

Wellcome

The 35 per cent increase in Wellcome's interim profits seems tailor-made to impress ahead of the looming placement by the Wellcome Trust. Admittedly the profits would have risen only 24 per cent at constant exchange rates, and currency rates will be a drag on results for the balance of the year. But the picture is still robust. The underlying growth of sales in continuing businesses was 21 per cent, of which only 3 per cent came from price increases.

That should not only stand Wellcome in good stead as health budgets come under pressure in the industrial world. It also confirms the company's growth credentials ahead of the placement. The risks attached to this enterprise are still considerable, though they are pretty much outside the company's control. US investors could become disenchanted with pharmaceutical stocks as the recovery gathers pace. UK investors could go on a buying strike if they are unhappy with post-election prospects for the equity market.

A remaining preoccupation is Wellcome's rating relative to the rest of the sector. To attract sufficient interest, Wellcome will need an edge over the likes of Glaxo. That edge was non-existent when the placement was first announced, because Wellcome's scarcity value put it on a much higher earnings multiple. By yesterday the gap had narrowed. Indeed, looking ahead to 1993, both companies are now on a similar multiple in the low 20s. Arguably Wellcome has somewhat stronger growth potential, not least because there is still room for higher margins. So the rating relationship is probably about right. The rest depends on the popularity of the sector as a whole.

United Newspapers

Thanks partly to higher circulation at the Sunday Express, United Newspapers looks well placed for economic recovery. Pre-tax profit of £85m was at the top end of expectations. The dividend is well covered. Interest cover is over three times, including payments on the preference shares. Capital spending will rise by £19m this year, but there would still be scope to maintain the dividend without higher borrowing. Recovery should boost advertising, though it might be 1993 before this feeds through to the lucrative classified sector.

Were this the whole story, a yield of 7.5 per cent would leave the shares attractive even after yesterday's rise of nearly 4 per cent. The trouble is that prospects would look different if recovery were thwarted by higher interest rates after the election. No surprise, then, that the Daily Express is working so hard for the Tories.

Lonrho

Mr Tiny Rowland has never been one to let public opinion influence his friendships with maverick leaders of obscure African countries. But even by his standards, the £177m issue of shares in Metropole Hotels to Libya's official investment agency is peculiarly insensitive. Although the deal suggests Metropole is in the books at a realistic value, it is difficult to imagine that the remaining two-thirds of the business will ever attract another buyer.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday March 27 1992

INSIDE

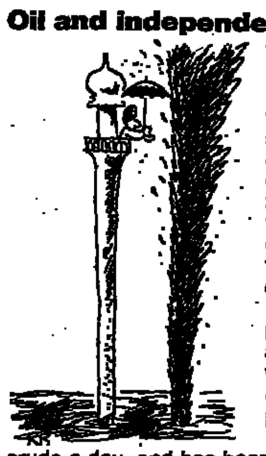
Maughan to succeed as CE at Salomon

Mr Warren Buffett, the billionaire investor who took over as interim chairman of Salomon after the Wall Street securities house was engulfed in scandal last year, wants Mr Deryck Maughan to become chief executive of the group's broking operation, Salomon Brothers, when the government's investigation of the scandal is completed later this year.

Mixed results in Hong Kong

Problems with Husky Oil, a Canadian oil and gas producer, lowered profits at **Hutchison Whampoa**, the large Hong Kong trading company controlled by Mr Li Ka-shing, Hong Kong's richest man.
Swire Pacific, the Hong Kong-based aviation, property and trading group, announced a 26 per cent increase in net profit in 1991.
Jardine Strategic, the investment holding company of the Jardine Matheson group, said it was considering a Euro-convertible preference share issue.
Cheung Kong, the property development vehicle of Mr Li Ka-shing, yesterday posted a 50 per cent jump in 1991 net earnings. **Page 19**

Oil and independence



Uzbekistan, a Moslem nation of 20m people, is praying it will become a self-sufficient oil producer after decades of depending on neighbouring Russia, which first conquered Uzbek territory in the 19th century. Inhabitants of the newly independent state saw it as a gift from heaven when an awesome oil blowout happened. It is spilling 15,000 tonnes of light crude a day, and has been flowing uninterruptedly for almost a month. **Page 30**

Coup bid hits Venezuelan shares

Concern over Venezuela's political and military stability in the wake of a frustrated coup in February has been depressing stock prices. The Caracas Stock Exchange index closed at 28,284.23 on Wednesday, down 17.2 per cent from the year's peak of 34,142.60 on February 3, the day before the coup attempt. **Back Page**

United Newspapers falls

United Newspapers, the UK publisher which owns the Daily Express, Sunday Express, Daily Star and Yorkshire Post newspapers, announced an 11 per cent drop in pre-tax profits to £85.1m ($147m) in 1991. **Page 25**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana Ind	580	+	15.5
Colonia Knzn Pf	610	+	15
DLW	554.5	+	7.5
Hochtief	1285	+	17
Falls			
Asko Prf	703	–	15
Wella Prf	619	–	8.5

NEW YORK ($)

Rises			
Amer Express	24⅛	+	⅝
Delta	64¼	+	½
USAir	18	+	⅛
Waste Mangmnt	40	+	1¼
Falls			
Borland Intl	58¾	–	3¼
Glenfed	3⅞	–	1½

New York prices at 12:30.

PARIS (FFr)

Rises			
Accd Entrepr	1040	+	34
BIC	680	+	15
Coparex	652	+	47
Falls			
Beghin-Say C I	466	–	14
CMB Packaging	186.4	–	11.1
Union Immob Fr	470	–	15

TOKYO (Yen)

Rises			
Ichikoh Inds	377	+	32
Falls			
Clarion	1040	–	140
Daito Wool	1230	–	170
Godo Shusei	1270	–	200
Nippon Carbon	1230	–	300
Shimura Kako	880	–	100

LONDON (Pence)

Rises				APV	106	–	6
Burmah Castrol	523	+	41	Beauford	16	–	3
Cabra Estates	9	+	2	Crown Eyeglass	198	–	30
Coats Viyella	189	+	9	Futura	15†	–	19
Morrison (Wm)	328	+	15	Glaxo	802	–	22
Pearson	798	+	17	LASMO	185	–	8
Rank Org	680	+	15	Lonrho	95	–	8
Steetley	382	+	10	Plasmec	48	–	3
Utd News	373	+	13	Ryan Hotels	22	–	3
Wellcome	1014	+	15	Wilson (Conn)	178	–	9
Wolstnhlme Rnk	318	+	15				
Falls							

† Price at suspension.

Dutch truck group seeks up to Fl 300m cash injection to bolster battered finances

DAF tumbles deeper into the red

By Kevin Done, Motor Industry Correspondent

DAF, the Dutch commercial vehicle maker in which British Aerospace holds a 16 per cent stake, plunged deeper into loss last year with a net deficit of Fl 394.5m ($212m) compared with a loss of Fl 228m a year earlier.

The company disclosed yesterday that it had begun talks with the Dutch government and with its banks with the aim of seeking a capital injection of up to Fl 300m in the next six months to strengthen its battered finances.

DAF's financial performance is the weakest of any of the leading European truck makers, largely due to its dependence on the UK truck market, which has suffered the steepest slide into recession in the post-war period.

The heavy losses of the past two years have seriously weakened its balance sheet. Group capital and reserves have declined to only 26.3 per cent of total assets from 34 per cent in 1988-89, in spite of the proceeds of a Fl 250m convertible preference share issue last autumn.

Mr Cor Baan, vice-chairman, said yesterday the company was "investigating all the options" to strengthen the balance sheet.

DAF was not planning to issue new shares, he said, but it is understood that one option under discussion is a subordinated bank loan possibly backed by a state guarantee.

DAF said yesterday it had reached agreement with its banking consortium led by ABN-AMRO Bank for its financing needs.

The deterioration in its financial performance last year meant it had breached covenants in its loan agreements. As a result, a number of its banks had taken collateral security on DAF properties in the Netherlands, Belgium and the UK.

DAF will not pay a dividend on its ordinary shares for the second year running, and it warned yesterday that it would suffer a further loss in the first half of 1992.

However, it forecast it would be close to break-even for the whole of 1992.

"The result for the second half of the year is expected to largely offset the loss for the first half of the year," the group said. This assumed modest recovery in the UK truck market and, given the company's low stock levels, planned increases in production and deliveries and the benefit of cost-saving.

DAF's total net loss of Fl 394.5m last year included extraordinary restructuring costs of Fl 69m following Fl 73m in 1990. Group turnover increased 2.4 per cent to Fl 4.94bn from Fl 4.83bn a year earlier.

DAF's operating loss last year increased to Fl 194.3m from Fl 107.9m in 1990.

Details, Page 18

Ciba-Geigy lifts profits 24% to SFr1.28bn

By Paul Abrahams in London

CIBA-GEIGY, the largest Swiss chemical group, yesterday reported post-tax profits up 24 per cent from SFr1.033bn to SFr1.280bn ($853m) for the year to December 31.

The performance was described as outstanding by Dr Alex Krauer, president and managing director. He said he was determined, however, that the company should not relax. A radical and far reaching productivity programme was still underway.

The outlook remained bright, said Dr Krauer. Both the agriculture and pharmaceuticals operations had made very healthy progress during the first two months of 1992, he added. Currency had been highly favourable for the first quarter of 1992, although this was unlikely to be repeated during the rest of the year.

With the exception of the US, during the last two months there had been no indication of an improvement in the worldwide demand for industrial products.

Last year the healthcare divisions increased sales by 10 per cent in local currencies compared with 1990, while agriculture increased by 18 per cent. Operating profits were up 20 per cent to SFr1.25bn and 15 per cent to SFr507m respectively. Sales at the industrial divisions were 4 per cent down in local currencies, while operating results improved 44 per cent in Swiss francs to SFr349m.

Group turnover increased 7 per cent from SFr19.7bn in 1990 to SFr21bn, although sales were helped by a strong dollar. On a currency adjusted basis, sales growth was 5 per cent.

Dr Krauer also announced proposals to split shares and bearer participation certificates on a five-for-one basis. The company intends to increase its share capital by issuing one new registered share for every 25 old shares of any capital unit category. Terms were not announced. However, the company said it expected the price to be equivalent to about two-thirds of the current share price at time of issue.

In addition, shareholders and bearer participation certificate owners will receive one option for free for each old capital unit. The company said 70 options would entitle holders to buy one new registered share. Details would be given after the annual general meeting on May 6. The company expects to collect about SFr490m and a further SFr270m if the options are executed.

Earnings per share increased 23 per cent from SFr186 in 1990 to SFr230 last year.

Sandoz results, Page 18

Michiyo Nakamoto on the trend to international strategic alliances

Plugging into each other's strengths

Last week, Philips, the Dutch electronics group, and Grundig, the German consumer electronics company in which it owns a 32 per cent stake, said they would join their video and cordless telephone operations.

On the same day, Olivetti, the Italian computers and office equipment group, announced an alliance with Canon, the Japanese camera and electronics group, to produce bubble ink-jet printers.

These moves are part of a growing trend among Europe's ailing electronics manufacturers to seek alliances in the hope of regaining their competitiveness in the marketplace.

They include another recent announcement by Philips that it was joining forces with Motorola, the US group, to design and develop semiconductor chips for Compact Disk Interactive, a new CD-based medium combining graphics, data, CD audio and video.

The Dutch group is now also looking for a partner to invest in a plant to manufacture liquid crystal displays, a product of increasing strategic importance.

A spate of similar links has also taken place in Europe's semiconductor and computer industries over the past year as difficult market conditions forced companies to adopt measures to stem failing fortunes.

Earlier this year Groupe Bull of France, the computer group, announced a link with IBM of the US to develop advanced semiconductor chips. And SGS-Thomson, the Franco-Italian semiconductor group is to collaborate with GEC Plessey Semiconductors of the UK in chip development, and with Philips in a semiconductor plant in Grenoble.

Nokia, which has been restructuring its consumer electronics division since the acquisition, has also been talking to unnamed parties about possible links.

Such partnerships have been spurred by the growing recognition among Europe's indigenous manufacturers that their US and Japanese competitors could be the main beneficiaries of the single European market. European electronics companies have accepted they need help to survive in increasingly competitive markets otherwise they will not be able to fund the R&D needed to keep pace with technology.

This is particularly true in the semiconductor industry, where most European companies are suffering losses. "That is the area in which European companies are crying out for help," says Mr Andrew Haskins, industry analyst at James Capel.

Even cash-rich Siemens has realised it cannot afford the investment needed to stay in the race and recently announced ventures in chip development with both IBM and Toshiba of Japan.

The move towards alliances follows the failure to build a European electronics champion through the merger of the semiconductor activities of Siemens, SGS-Thomson and Philips. The three groups were unable to reconcile their differences and, after months of talks, Siemens decided to link with IBM, effectively dashing hopes for a major European electronics group.

It is not only that the Europeans find it difficult to agree on broad co-operation; there has also been a spreading conviction that simply joining the weak operations of three big groups will not lead to a strong business.

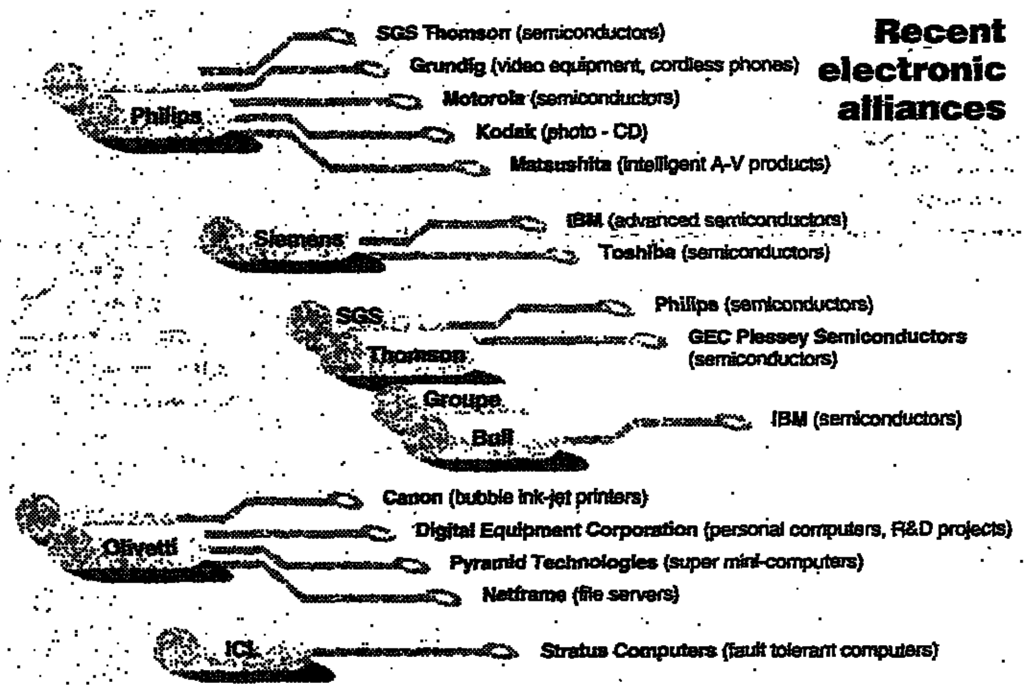
Having abandoned the idea of a European champion, manufacturers have embraced less grand alliances, both among themselves and with outside groups, as the logical solution to their problems. Olivetti has set up a division specifically to look for possible technological co-operation.

Such alliances offer manufacturers the chance to pool resources and rationalise operations, at a time of spiralling costs and stagnant growth of key markets.

The situation is particularly dire for financially stretched European groups. Last year, although Philips returned to profitability, its income from consumer electronics declined 33 per cent. Thomson, Nokia and Olivetti also suffered losses last year and the situation is equally bleak among European semiconductor and computer manufacturers.

If they are to remain in the race, which means continuing to invest in R&D, Europe's manufacturers need to join forces or seek help from outside.

Ms Angela Dean, industry analyst at Morgan Stanley, expects Philips to announce further alliances as it moves to rationalise its operations. "What we hear from Philips in the future will be more general and not just restricted to video equipment," she said.



Alliances with strategic partners also offer manufacturers the chance to tap demand outside their own national markets. This is important for European manufacturers, which have often blamed their woes on the lack of a large indigenous demand base to support economies of scale.

Pan-European alliances will help to rationalise operations and share costs. But they will have limited impact on raising the competitiveness of European manufacturers. For that, European companies will have to look to US and Japanese companies for the key technologies necessary to remain competitive and profitable.

Buoyant sales help Wellcome rise 35%

By Paul Abrahams in London

WELLCOME, the UK pharmaceuticals group, yesterday reported pre-tax profits up 34.8 per cent from £181m to £244m ($422m) for the six months to February 29.

Turnover at the prescription and consumer healthcare businesses reached £812m for the first six months, an increase of 27 per cent. Sales at non-continuing and other businesses were £79m, bringing the group's turnover to £891m compared with £731m.

Exchange rate movements increased sales by 6 per cent and pre-tax profits by 11 per cent, said Mr John Precious, finance director. He warned, however, that exchange rate benefits were unlikely to be as significant during the second 6 months. The tax charge was also likely to increase for the full year by 1 percentage point to 37.5 per cent.

Sales of Zovirax, the herpes and chicken-pox drug, were up 34 per cent to £278m. Those for Retrovir, the Aids treatment, rose 31 per cent to £103m.

The strong dollar helped the figures, but underlying growth for the two products was 26 per cent and 25 per cent, respectively. Profits from other patented products increased from £77m to £87m.

Price increases, mainly in the US, represented only 3 per cent of underlying sales growth of 21 per cent at the pharmaceutical operations. Sales of consumer health products rose 32 per cent from £94m to £125m.

Operating margins improved 2.4 points to 26.7 per cent. Mr John Robb, chief executive, said a margin of 30 per cent was a realistic objective but declined to say when it might be achieved. The improvement so far had been achieved through the disposal of low-margin businesses, a continued drive on costs and a change in sales mix to higher margin products. Cost of sales fell from 24.8 per cent of turnover to 22.6 per cent.

The sale of the environmental health and diagnostic businesses resulted in a net loss of £42m, said Mr Precious.

Research and development spending increased 23 per cent from £103m to £127m, or 18 per cent at constant exchange rates. Earnings per share increased 33 per cent to 17.5p against 13.2p. The dividend was 4p from 3p.

Lex, Page 16

O&Y debt shake-up may take two years

By Robert Peston in London

THE reorganisation of Olympia and York's $20bn debt is likely to take two years because of the complex structure of the Canadian property developer, according to an executive with close knowledge of O&Y.

This emerged yesterday as bankers flew to Toronto for their first meeting since O&Y admitted last weekend that it was suffering from a "liquidity crisis".

O&Y has called a meeting of its 20 biggest bank lenders, which will take place today. The purpose of the meeting is to agree a process for reorganising the debt, totalling more than $20bn, and elect a steering committee, to represent all of O&Y's more than 100 banks.

The co-chairmen of the committee are expected to include Canadian Imperial Bank of Commerce, Citicorp, and Hongkong and Shanghai Banking Corp.

CIBC is understood to have the biggest exposure, more than $1bn, to O&Y. Bankers said that the second biggest lender, with around $750m of loans, is Royal Bank of Canada, followed by Citicorp, with $500m. Hongkong Bank's exposure is thought to be comparable to Citicorp's.

Other big lenders are understood to include Crédit Lyonnais, the French bank, with $350m, Canada's Bank of Nova Scotia and Bank of Montreal, with $300m each, and Chemical Bank of the US with $200m.

In the UK, Barclays' exposure to O&Y's UK properties, principally the Canary Wharf development in east London, is thought to be around $100m. However, its overall exposure to the group is believed to be much bigger.

O&Y is moving to reassure lenders to the £3bn ($5bn) Canary Wharf – Europe's biggest property development - whose prospects have been hit by the UK property recession.

Mr Tom Johnson, who was appointed to oversee the financial restructuring early this week as new president of Olympia and York Property Developments, O&Y's main operating subsidiary, is scheduled to arrive in London on Sunday night to hold talks with lenders.

Canary Wharf has £700m of debt, consisting of a £490m facility from 11 banks – led by Crédit Suisse and Lloyds – £100m from the European Investment Bank and a £52m emergency short-term loan provided last week by a group of banks led by Barclays and Lloyds.

Investors fear knock-on, Page 20

Redland wins £613m takeover battle for rival

By Bronwen Maddox in London

REDLAND yesterday won its four-month battle to take over Steetley, its building materials rival, with 60 per cent of the latter's shareholders accepting its offer.

The takeover, which values Steetley at £613m ($1.1bn) on yesterday's closing prices, will create Europe's leading building materials group with a turnover of just over £2bn. It will be the UK's second largest company in bricks, Europe's second largest in aggregates, and the world's largest in roofing tiles.

Redland announced acceptances from 78 per cent of Steetley preference shareholders. The offer of 87 Redland shares for every 100 of Steetley's had a cash alternative of 365p.

Steetley said yesterday: "The board is clearly disappointed, but a construction company in the trough of a recession is a fairly easy target."

The UK's competition policy, which forced it to abandon a proposed joint venture with Tarmac, the UK building materials group, had been "no aid either".

The proposed venture, announced last year, was referred first to Brussels under EC competition rules, and then back to the UK. It collapsed after referral to the Monopolies and Mergers Commission.

Redland, which had planned to bid for Steetley in 1992, then accelerated its plans for attack, after given the MMC assurances that it would sell certain businesses.

Mr Robert Napier, chief executive, said: "We have now put together two fine companies and we have a lot of work ahead to get the benefits."

Redland expects the merger to bring £30m pre-tax cost savings in 1993. Steetley will also bring the group around £30m of unused advance corporation tax provisions.

Redland has undertaken to sell within 18 months two UK brickworks and one clay tile business with combined turnover of just under £30m, around 5 per cent of Steetley's turnover. That will leave the UK turnover at just under a third of the merged group.

The Steetley board advised shareholders to take no further action until after a board meeting tomorrow.

Tootal gives Coats Viyella a boost

By Daniel Green in London

THE RAPID integration by Coats Viyella, the textiles company, of Tootal, acquired last May after an acrimonious takeover battle, helped Coats improve 1991 pre-tax profits by 10 per cent to £111.4m ($192.7m) from £101.4m.

However, net borrowings at the year-end jumped to £264m from £91.4m, largely as a result of the acquisition.

The performance of Tootal enhanced earnings slightly. Market shares in thread, Tootal's largest business, also improved.

Coats has changed its accounting practices to conform to new and proposed accounting rules. It restated its 1990 figures as if they had followed the same rules as used in the 1991 figures. Extraordinary costs of £3.6m in 1990 were restated as exceptional costs, depressing some 1990 figures. Earnings per share in 1991 were 10.4p, compared with 8.9p on a restated basis but 9.6p as published a year ago.

The dividend is maintained at 7p for the whole year. The shares rose 9p to 189p.

Thread, Coats' biggest operation, saw both turnover and margins improve. The addition of Tootal doubled the size of the industrial thread business and contributed to sales for the whole thread operation of £840m (£729m), with margins improving from 7.9 to 8.7 per cent.

Fashion retailing, including the Jaeger and Viyella brands, suffered badly. Margins fell from 7 per cent in 1990 to 2.9 per cent.

Branded menswear, including Van Heusen shirts, had a bad year. But improvements elsewhere pushed clothing turnover to £350.5m from £300.5m.

Sales in the Dynacast precision engineering operation fell to £104.7 from £111.7m because of a poor performance in Brazil and the weakness of the North American motor car industry.

Lex, Page 16

Aérospatiale moves into black

By William Dawkins in Paris

AEROSPATIALE, the French state-owned aircraft and missile group, yesterday reported a sharp swing into profit, but warned that the outlook was worrying.

The group made a FFr213m ($37.7m) net profit last year, against a FFr396m loss in 1990, on sales up 16 per cent to FFr48.6bn. The rise was led by an increase in deliveries by Airbus, the European aircraft consortium of which Aérospatiale is a leading partner.

However, the French group's orders had fallen 50 per cent to FFr35bn, said Mr Henri Martre, the chairman. Orders now stand at just over two-and-a-half-years' work.

Orders were affected "by the atmosphere of crisis which has dominated the market all year, the fall in air traffic, company losses, the general economic slowdown and budgetary restrictions which have brought about the greatest caution among buyers," he said.

Aérospatiale's experience is in line with the gloomy outlook for rest of the French aerospace industry. According to Gifas, the industry's trade body, the French aerospace industry's overall order book fell 30 per cent to FFr235bn last year, reflecting a decline in both military and commercial orders. Gifas expects sales to fall 25 per cent in real terms by 1995, with heavy reductions in the number of people working in the sector, currently 118,300.

Mr Martre said Aérospatiale had aircraft orders for three to four years, depending on whether clients confirmed options, but the outlook was "more worrying" for the helicopter and missiles divisions.

Aérospatiale last year pooled its helicopter business with MBB of Germany.

Swedish thrifts reaffirm merger plan

By Sara Webb

PLANS to create a new Swedish savings bank group would go ahead, despite concern about the huge losses incurred by one of the 11 banks due to form the enterprise, bankers said yesterday.

News that Första Sparbanken, a savings bank with business interests concentrated in the Stockholm and Gothenburg regions, had suffered a loss of SKr5.48bn ($908.7m) in 1991 came as a shock to the banking community. Forsta's credit losses amounted to SKr5.7bn, equivalent to 11 per cent of the bank's total loan portfolio.

Government officials are currently discussing the future of Första Sparbanken with senior management of the new savings bank group, which will be called Sparbanken Sverige and which hopes to be listed on the Stockholm bourse.

Two of Sweden's commercial banks – Skandinaviska Enskilda Banken and Svenska Handelsbanken – said that some of Forsta's retail customers had started to transfer funds to them. Mr Tommy Lindell, Forsta's executive vice-president, admitted some customers were shifting funds, but said there had not been a run on deposits.

The government has tried to restore confidence in the troubled bank by saying none of the depositors will lose their money.

DAF hit by UK 'market collapse'

By Kevin Done, Motor Industry Correspondent

DAF, the Dutch commercial vehicle maker, said yesterday that 1991 was its "worst year on record". It blamed its heavy losses on the low level of capacity utilisation at plants in the UK, the Netherlands and Belgium in the face of a 12 per cent fall in truck production to only 26,373.

DAF truck output has fallen by 24 per cent in the last two years, while van production declined last year by 9.4 per cent to 22,274.

The number of vehicles delivered fell by 4.8 per cent last year to 51,208. Combined truck and van deliveries have fallen by 12.7 per cent in the last two years.

DAF said it had been hit by "the unprecedented and continuing recession in commercial vehicle demand in the UK". The "British market collapse" was well into its third year with UK truck demand in 1991 falling to the lowest level since 1954.

DAF said that it was committed to "lessening its dependence on the UK market", but Britain still accounted for 29.5 per cent of group turnover last year, compared with 31.1 per cent in 1990.

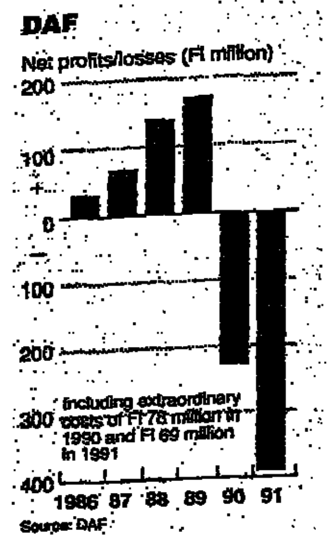
DAF, which took over Leyland's truck operations in 1987, has been hit harder than any other leading European truck maker by the recession in the UK, where it was the market leader last year with a share of 23.9 per cent. Overall UK truck sales were 54 per cent lower in 1991 than in 1989.

DAF's share of the west European truck market (above 3.5 tonnes gross vehicle weight) fell to 7.6 per cent from 8.5 per cent a year earlier.

DAF said that its losses also stemmed from lower sales margins – UK truck prices are among the lowest in west Europe. In addition, it blamed higher interest charges of Fl 143m, compared with Fl 95m a year earlier, and cost inflation in the UK, which could only be partly compensated for in higher export prices.

It suffered a negative cashflow of Fl 240.3m last year compared with a negative flow of Fl 77.5m in 1990.

DAF has taken tough measures to cut costs including a 20.1 per cent reduction in its workforce to 13,413 at the end of 1991.



Source: DAF

CCF lifts payout as profits rise

By Alice Rawsthorn in Paris

CREDIT Commercial de France, one of the largest private-sector French banks, yesterday announced a 17 per cent increase in net profits on a comparable basis to FFr917m in 1991 from FFr813m the previous year.

Mr Michel Pébéreau, chairman, cited a "prudent policy on credit" as one of the chief reasons for the profits increase.

The board proposed raising the dividend from FFr3.5 a share in 1990 to FFr3.8 the previous year.

CCF – together with other French banking groups – has been hit by an increase in corporate bad debts, particularly in the computer sector and among small businesses, although it suffered less than its competitors from defaults on consumer loans.

The group has been taking steps to improve efficiency by scrutinising costs – the increase in general costs was held to 2 per cent last year – and by more stringent control of credit provision.

The bank, whose activities are divided equally between commercial and investment banking, managed to hold its risk provisions at FFr1.15bn, which is roughly the same level as in the previous year, "despite the deteriorating economic situation", said Mr Pébéreau.

In 1990, CCF was forced to implement a steep increase in provisions for customers' defaults, although it did manage to shrink its country risk provisions.

Bank Austria set back by foreign loans

By Eric Frey in Vienna

BANK Austria, Austria's largest bank, yesterday announced a 13 per cent decline in 1991 operating profits and a charge of Sch7.5bn ($640.5m) against earnings, mostly to cover losses from foreign loans.

Mr Alfons Haiden, chairman, traced the earnings drop to the costs of last year's merger between Landerbank and Zentralsparkasse, which led to the creation of the bank. He also cited a weak Austrian stock market and growing competition in the Austrian financial sector.

Operating profit fell to Sch3.31bn from Sch3.88bn in 1990, the year before the merger. Partial operating profit, which does not include trading income, declined 9 per cent to Sch2.06bn from Sch2.25bn. The dividend is being held at 14 per cent.

The bank's biggest headache was the disastrous investments made by the US and UK branches of the old Landerbank. For 1991, Bank Austria had to take charges of Sch700m for troubled loans in the US and Sch2bn for those in the UK. The acquisition of the UK leasing company Soverign generated a deficit of Sch1.2bn.

Gyll named Procordia chairman

By Sara Webb in Stockholm

MR Sören Gyll, who is to take over as chief executive of Volvo, the Swedish car and truck group, was named yesterday as the new chairman of Procordia, the Swedish pharmaceuticals and food group which wants to merge with Volvo.

Mr Jan Ekberg has been named to succeed Mr Gyll as president and chief executive of Procordia with effect from May 13. Mr Ekberg is currently head of Procordia's pharmaceuticals business, Kabi Pharmacia.

Volvo will put forward Mr Gyll's name at its annual shareholders' meeting on May 12 as the successor to Mr Pehr Gyllenhammar, the present chairman of Procordia (who is also chairman of Volvo).

Both Mr Gyll and Mr Ekberg are understood to be strongly in favour of merging Procordia with Volvo.

Sweden's business community was surprised by the latest round of management changes because it was still not certain that the proposed SKr38.7bn ($6.4bn) merger between Volvo and Procordia would go ahead.

The Swedish government, which has a 42.7 per cent voting stake in Procordia, blocked the original merger plan in January on the grounds that the terms were not attractive enough and that the deal did not make sound industrial sense.

Volvo also has a 42.7 per cent voting stake in Procordia.

However, talks are still taking place between Volvo and the government concerning Procordia's future.

Whatever the outcome of those talks, Mr Gyll is due to take up his position as chief executive of Volvo in the middle of May.

Mr Gyll, who has been chief executive at Procordia since 1984, is credited with masterminding the turnround in the group's fortunes by concentrating on the food and pharmaceutical sectors.

Husky Oil dents Hutchison Whampoa profit

By Simon Holberton in Hong Kong

PROBLEMS with Husky Oil, a Canadian oil and gas producer, forced Hutchison Whampoa, the large Hong Kong trading company controlled by Mr Li Ka-shing, to announce a 5 per cent fall in after-tax profits yesterday to HK$3.3bn (US$426.4m) in 1991 from HK$3.5bn in 1990.

Hutchison took an above-the-line write off of HK$763m – its share of a provision Husky, of which it owns 49 per cent, has made for the fall in the value of its oil and gas reserves. Last week, Cavendish International, a Hutchison subsidiary, made a provision of HK$462m for its share of Husky's write-off.

Mr Simon Murray, managing director of Hutchison, said it was too early to say when Husky would improve, but he did not expect any in the short-term. If oil and gas prices did not rise "then we will have to take another look at it."

Mr Murray scotched rumours of an imminent rights issue, saying there were no plans to have one this year. He said the company was financially strong and had no need of an issue to fund existing operations.

The Husky write-off took the shine away from what analysts described as a very impressive underlying growth in profits from Hutchison's businesses, especially those in Hong Kong. Operating profit was up 15.5 per cent and, if the write-off was added back to pre-tax earnings, they would have shown an 18.8 per cent improvement, they said.

Looking ahead, Mr Li Ka-shing, chairman, said the continued strength of the Hong Kong property market, increased container traffic, and general growth with in the colony's economy due to its proximity to China, should all benefit the company's operations.

The directors declared a final dividend of 48 cents, which makes a total for the year of 68 cents – up 4.5 per cent on 1990.

Mr Li said that the company's property interests continued to make good contributions to profit in 1991. The property division benefited from the continued strong demand in Hong Kong for medium-sized residential units.

Record growth was achieved in its container terminal operations through its 60 per cent subsidiary, Hongkong International Terminals (HIT). HIT handled 2.5m 20ft equivalent units (TEUs) through Kwai Chung container port. "Future growth will be enhanced by the formation of a partnership with the China Ocean Shipping Company (Cosco) to develop half of the new Terminal 8 and Kwai Chung," he said.


Li Ka-shing, chairman (left) and Simon Murray, managing director who scotched rumours of a rights issue

The acquisition of Felixstowe Port, the biggest container port in the UK, was ahead of planned targets, Mr Murray said.

Hutchison Telecommunications will shortly be launching its telepoint (CT2) business in the UK. This venture, of which it owns 65 per cent, has and will require large investment and that spending reduced profits from the telecommunications group last year.

In terms of capital spending, Mr Murray said about £800m would be spent on CT2 and PCN (personal communications network) over the nest four to five years. Hutchison's share of that will be about £500m. He anticipated profit to flow from CT2 in two to three years and from PCN in about five years.

Mr Li said while the initial operating losses in the start up phase of the telecommunications businesses overseas will erode profits from the cellular and paging businesses in Hong Kong, the potential of the company would be realised in the long term.

Cheung Kong pays more as earnings surge

CHEUNG KONG, the property development vehicle of Hong Kong's richest man, Mr Li Ka-shing, yesterday posted a 50 per cent jump in 1991 net earnings to HK$4.88bn (US$630.5m) from HK$3.25bn in 1990, writes Simon Holberton.

Mr Li announced a final dividend of 51 cents which, with the interim of 17 cents, makes 68 cents for the year – a rise of 42 per cent over 1990.

Cheung Kong's results, though not unexpected, underline the strength of Hong Kong's residential property market and the profits of companies exposed to it.

Mr Li said in his chairman's statement that in 1992 the area of buildings completed was the largest ever and that, in a rising market, the group's profits rose very sharply.

He warned that Cheung Kong was likely to produce in 1992 a lower growth in earnings than that achieved last year.

The great proportion of the buildings expected to be completed this year have already been pre-sold.

Mr Li said that the confluence of low interest rates and relatively high inflation had prompted the public to invest in property to safeguard the value of their savings.

"This new trend in property buying and the fact that the supply of residential land and buildings is not sufficient have caused the steep rise in the prices of residential buildings in the second half of 1991," he said.

"Demand for such buildings is expected to remain strong and the market will continue to be active in the foreseeable future."

Mr Li added that the group would continue to identify various investment opportunities and would continue to enlarge its land bank – both in order to lay a good foundation for future growth.

Rental income helps Swire Pacific to advance by 26%

By Simon Davies in Hong Kong

SWIRE PACIFIC, the Hong Kong-based aviation, property and trading group, announced a 26 per cent increase in net profit in 1991, despite the impact of the gulf crisis on earnings from its 52 per cent-owned airline, Cathay Pacific.

Swire, headed by Mr David Gledhill, posted net profit of HK$3.08bn (US$398m) in 1991, up from HK$2.45bn in 1990. The results were boosted by a profit estimated at more than HK$200m from the sale of a bottling factory. But there was a substantial increase in earnings from rental income and its diversified industrial businesses.

The company said the prospects for 1992 were "encouraging". A continuing demand for air travel, improved contributions from industrial businesses as a result of a cyclical up-turn and the impact of a rationalisation programme, and the effects of its enlarged property portfolio should ensure a similar rate of earnings growth in 1992.

Swire recommended a final dividend of 66 cents per "A" share and 13.2 cents per "B" share, making a total payout of 89 cent and 17.8 cents respectively.

Rental income increased to HK$1.23bn from HK$792m, as a result of maiden contributions

David Gledhill: prospects for 1992 encouraging

from phase II of its Pacific Place development and upward rental revisions from phase I.

The group's three hotels in the Pacific Place development continued to lose money in 1991, but they should benefit from the pick up in tourist arrivals.

Offshore oil and shipping services experienced increased profitability and on the industrial side, there were improvements from Coca-Cola bottling operations and former loss-maker Swire Technologies, a semi-conductor company.

The group's net asset value increased to HK$34.84bn, following a HK$4.87bn increase in the estimated value of its property portfolio.

Clal group's income almost doubled

By Hugh Carnegy in Jerusalem

THE CLAL group, Israel's biggest publicly-traded industrial group, almost doubled net profits in 1991 to Shk61.6m ($35.8m) from Shk42m the year before, mainly due to a big surge in profits in its core holding, Clal Industries.

Consolidated sales in the sprawling group, which encompasses electronics, textiles, construction and insurance among its interests, rose to Shk2.5bn from Shk2.36bn. Return on capital rose to 9.5 per cent from 5 per cent.

Strong performances by Clal electronics subsidiaries, which include Scitex and ECI Telecom, two of Israel's fastest-growing companies, played a large part in the increased profitability. There were also benefits from Israel's immigration-fuelled construction boom and the associated acceleration in infrastructure building.

The 75 per cent-owned Clal Industries, which includes the electronics companies, had a net profit of Shk146m, against Shk53m in 1990.

At the group level, one-time revenues of Shk44m from the sale of shares in Scitex, ECI Telecom and Electra were offset by Shk47m costs incurred in the reorganisation of Clal's real estate business and some of its high-tech activities.

Jardine Strategic issue surprise

By Simon Holberton

JARDINE Strategic, the investment holding company of the Jardine Matheson group, yesterday surprised the market when it said it was considering a Euro-convertible preference share issue.

The company released no details of the proposed issue but said, if it proceeds, the funds would be used to strengthen its balance sheet and provide funds for further investment.

Analysts were taken by surprise because Jardine Strategic only last July moved to convert compulsorily the remainder of a convertible preference issue it floated in 1989. That issue raised US$200m and analysts expect Jardine to raise a similar amount this time around.

Earlier in the day, Jardine Strategic directors had declined to comment on talk in the Hong Kong stock market that it was about to make a rights issue.

Rumours of a rights issue earlier knocked 50 cents off the shares.

Speculation concerning rights issues by various blue-chip companies have swept the Hong Kong market during the current financial results reporting season.

The Euro-convertible preference share issue announcement came with annual results for the company which showed a 9.5 per cent growth in net earnings to US$233.2m from US$212.9m.

Mr Henry Keswick, the chairman, said the companies in which Jardine Strategic has an interest were financially strong and were well placed to take advantage of dynamic growth prospects in the Asia-Pacific region.

"While it is too early to make any forecasts for the current year, the underlying businesses have made and encouraging start and the longer term prospects for Jardine Strategic remain excellent," he said.

Directors declared a final dividend of US cents 7 a share which, together with the interim of US cents 3.5 makes a total of US cents 10.5 – 163 per cent higher than in 1990.

INTERNATIONAL COMPANIES AND FINANCE

Salomon blunder fuels trading row

By Patrick Harverson in New York

SALOMON Brothers, the embattled Wall Street securities house, was yesterday clearing up the mess left by an embarrassing clerical error which swamped the New York *Stock Exchange (NYSE) late on* Wednesday with hundreds of millions of dollars in computerised sell orders.

The mistake, which could prove costly, created chaos on the exchange floor and knocked 12 points off the Dow Jones Industrial Average in the final two minutes of trading.

The NYSE said it was "reviewing" the trades with *the full co-operation of Salo*mon. The Securities and Exchange Commission, the industry watchdog, said it would also look into the matter.

Although it was not clear whether any disciplinary action would be taken against the firm, the fuss surrounding Salomon's blunder is likely to intensify the debate over the influence of computer trading on US stock markets.

The error, which traders said was unprecedented in recent memory, was committed when *two Salomon clerks mistook* a customer's order to sell $11m of stock as an order to sell 11m *shares of stock.* Even in these days of big computerised trades, the latter represented a huge sale.

At 3.58pm on Wednesday, two minutes before the close, the incorrect order was sent by Salomon to the stock market via computer, which began selling 11m shares of some of the market's biggest stocks.

The sudden wave of sell orders pushed prices lower as *traders on the floor* rushed to find matching buyers. The Dow, which at 3.58pm had been up nearly 13 points, finished down 1.57 points. Experts say the entire loss was attributable to the Salomon trades.

The value of the bungled order was estimated to have been somewhere between $300m and $500m, although Salomon says it spotted the mistake and "halted the order mid-trade".

The error could not have come at a worse time for Salomon, which is still struggling *to overcome* last year's scandal over its illegal activities in the Treasury bond markets.

The managerial, staffing and procedural changes in the wake of the scandal have created morale problems within the company, most notably in Salomon's equity department, which has seen its role cut back and several senior executives depart for other firms.

One Wall Street insider who *knows Salomon well said* the computer blunder revealed a worrying lack of supervision at the firm. He was surprised that clerks apparently did not check with a senior supervisor before executing the huge block sale of 11m shares.

If the embarrassment over the bungle were not enough, *Salomon now faces the task of* sorting out the mess without losing money.

Whether the trading error ultimately proves costly depends on which direction the stock market moves over the next few days. Salomon sold a lot of stock late on Wednesday. If share prices move higher – the Dow was up slightly at midday yesterday – the firm could lose money when it buys back all the mistakenly-sold stock.

Salomon's blunder is also likely to provide ammunition to critics of computerised *block* trading, a practice regularly used by big securities firms to execute *large stock orders* in a hurry.

In the past, computer trading *has been* blamed for exacerbating price volatility, most notably during the October 1987 crash. Critics have also argued that it undermines investor confidence in the stock market.

They say the ability of dealers to trade *large amounts of* shares at great speed by computer gives them an unfair advantage over individual investors, who have to trade via specialist market-makers on the exchange floor.

Investors fear O&Y property knock-on

By Bernard Simon in Toronto

PROPERTY investors and analysts are concerned that the financial difficulties of Olympia & York Developments may exacerbate the slump in the North American property market.

The prospect of O&Y buildings being put up for sale as part of its financial restructuring has led Canadian institu*tions to delay decisions* on property investments, according to one Toronto property consultant.

The company's financial problems are expected to encourage existing and new tenants to bargain more aggressively for inducements in O&Y buildings.

O&Y is the largest office landlord in Manhattan and central Toronto. It is also a big *landlord in Calgary and Ottawa.*

Property experts say O&Y's problems are likely to most affect Canada, where there are relatively few institutional investors willing or able to buy large chunks of real estate. Also, European and Japanese investors have retreated from the North American market over the past year.

Mr Ross Cowan, analyst at *Levesque Beaubien in Toronto,* said he expected that O&Y's bank lenders may end up holding buildings for several years to avoid flooding the market.

The skittishness of investors was illustrated on Wednesday, when almost C$2m (US$1.60m) of bonds in First Canadian Place, O&Y's Toronto flagship building, changed hands at a discount of 22 per cent to face value.

KHD optimistic in spite of 67% tumble

By Christopher Parkes in Bonn

KLOCKNER-Humboldt-Deutz, the German motor and engineering group, yesterday announced a 67 per cent decline in profits for 1991, but declared the year a success.

Progress in the last six *months of the year had more* than compensated for first-half losses, the company said. There was also a "realistic chance" that it would record a profit in 1992, despite severe market conditions.

Reporting profits of DM10m ($6m), compared with DM30m, on turnover up 2 per cent to DM4.12bn, KHD said most of the sales growth had come from plant manufacture, its smallest division.

Sales of engines, which account for half the group's business, were down 6 per cent to DM2.2bn. Turnover from farm equipment fell 2 per cent, while plant sales rose 33 per cent to DM849m.

Overall orders fell 10 per cent during the year, and order books at the end of December were 21 per cent lower than 12 months earlier.

Mr Werner Kirchgässe, chief executive, said recently that profits would have to exceed DM100m before shareholders could expect a dividend. The last payout was in 1986.

● Peine-Salzgitter, the steel division of Preussag, has forecast falling profits for this year ending September 1992

Mr Kurt Stähler, chief executive, told the annual meeting that conditions in the steel market were becoming more difficult and price increases were urgently needed.

Varity slides into red on US$108m charge

By Robert Gibbens

VARITY, the international farm and industrial machinery group, suffered a 12 per cent *drop* in sales last year. After a special US$108m restructuring charge, it posted a net loss of $178m, or $7.87 a share. This compares with a profit of $94.4m, or $2.77 a share, in fiscal 1991.

Varity's biggest markets were hit by the recession. Overall sales were $3.2bn for *the year ended January 31* 1992, against $3.6bn in fiscal 1991. Farm equipment sales were down 19 per cent and diesel engine sales fell 15 per cent.

Vehicle components, accounting for nearly half the business, dipped 7 per cent.

In the final quarter, after the restructuring charge, Varity's loss was $115.3m, or $4.80, against net profit of $19.1m, or 56 cents. Sales were $899m, *against $896m.*

Mr Victor Rice, chairman, said Varity's restructuring was aimed at improving operating performance in fiscal 1993 "whether or not there is an economic recovery". Worldwide payroll will be cut by 1,300, or 7 per cent, to lower operating costs by $45m. Varity has reduced manpower by nearly 3,000 already since 1989.

The job cuts will take $40m of the special charge, while $68m comprises non-cash writedowns for future asset sales. Over the next 18 months, Varity hopes to raise up to $175m from asset sales, to be applied to debt.

Varity sees moderate improvement in some sectors this year, and overall operating results should be substantially better.

The Kelsey-Hayes vehicle component subsidiary had operating income of $106m in fiscal 1992, against $135m.

Perkins was badly hit by the UK recession and operating income was $35m, against $61m. Demand will continue to be *sluggish*, but Perkins will benefit from a 10-year engine supply pact with Caterpillar of the US, worth an estimated $1bn.

Probe will not hold up Nestlé bid for Perrier

By Andrew Hill in Brussels

NESTLE, the Swiss food group bidding for Perrier, made clear yesterday it would not be prevented from buying shares in the French mineral water group during the European Commission's four-month investigation into the bid.

The Swiss company expects to launch its FFr15.46bn ($2.76bn) bid officially in the next few days. Technically, the merger will be suspended during the EC's investigation, announced two days ago, but Nestlé is allowed to go ahead with the public offer.

Under EC rules, the group will be unable to exercise the voting rights attached to any Perrier shares it buys, except to "maintain the full value" of its investment.

If the Commission decides *the bid* is anti-competitive, it can ask Nestlé to unwind the merger. However, it seems *more likely that Brussels* will try to amend the deal – for example, by asking Nestlé to sell *some mineral water* brands.

Since new rules came into force in September 1990, the Commission has only once outlawed a merger – the Franco-Italian bid for de Havilland, the Canadian aircraft maker – and has never quashed a public offer.

Unicorp Energy forced to sell unit

By Robert Gibbens in Montreal

UNICORP Energy, *once a key* holding of Toronto financier Mr George Mann, has refinanced C$320m (US$268.90m) in loans and preferred stock due to mature on March 31. However, it must sell or merge its most prized asset, Union Energy, one of Ontario's two natural gas dis*tributors.*

Unicorp has raised $440m from six banks to repay a $120m loan to National Bank of Canada, and repay preferred stock held mainly by the Edper group and the Reichmann family of Toronto.

Under the refinancing terms, Unicorp has a fixed period in which to sell or merge Union Energy.

Unicorp lost $12m, or 2.80 a share, in 1991 against a loss of $1.62 a share in 1990. Besides the profitable gas distributor, it owns a troubled portfolio of property, financial services and other energy assets.

● *Diners Club, through Citibank Canada,* is buying Air Canada's enRoute credit card business.

With it goes a contract to supply the credit cards used by federal government employees when they travel. Air Canada has been trying to sell enRoute for more than a year.

Komatsu to unveil European excavator

By Andrew Baxter

KOMATSU, the world's second biggest construction equipment manufacturer, is about to become the first Japanese producer to develop, design and make a new model outside Japan.

Komatsu UK, based in Birtley, near Newcastle, will unveil its new wheeled excavator later this month at the Bauma construction equipment exhibition in Munich.

The move is a sign of the growing Europeanisation of Japanese construction equipment producers, and of Komatsu's increasing confidence in its wholly-owned UK subsidiary. The Birtley plant, formerly owned by Caterpillar, began production in 1987.

The launch is also intended to plug a gap in Komatsu's range and enhance its position in the German construction equipment market, where wheeled excavators are an important product.

Virtually all other European markets are in recession of varying depths, but German demand has risen at least 50 per cent since reunification.

Mr Toshitaka Suketomo, Komatsu UK's managing director, said 80 per cent of shipments from Birtley were now being exported to Germany. This compares with about 40 per cent before reunification.

However, other markets have declined and the plant's total production has fallen. Shipments to the UK market are running at about half the level seen in busy times, while deliveries to France have virtually halted.

Mr Suketomo said Komatsu UK had slightly adjusted downwards its forecast for 1992 sales, and was now less optimistic than at the beginning of the year. He believes production at Birtley will fall 10 per cent this year, but this would be offset by the launch of the new PW170-5 excavator.

Mr Clive Morton, director of personnel and administration, said Komatsu UK was talking to the Department of Trade and Industry about the local content rules.

South Africa adopts a new stance

Philip Gawith on the Reserve Bank's move into the financial rand market

THE decision this week by the Reserve Bank of South Africa to intervene in the financial rand market should make the country a more attractive investment proposition for foreigners by reducing currency risk.

The decision has been welcomed by users of the market, who say the Reserve Bank's intervention will increase stability. The market has traditionally been very volatile, trading on thin volumes. The bank will intervene by buying or selling financial rands against US dollars.

The financial rand is a fixed pool of investment currency for foreigners, introduced in 1985 at the time of the country's debt standstill, to protect the balance of payments.

The reasoning was that foreign holders of South African equities should be treated on the same terms as those who had loaned money to the country, which had then been blocked by the standstill.

Mr Chris Stals, governor of the Reserve Bank, said intervention should have five main advantages:

- The total supply of financial rand would reduce if, as expected, the bank is a net purchaser;
- The bank's intervention should narrow the discount between the commercial and financial rand;
- The market will enjoy greater stability;
- The application of gold and foreign exchange reserves will provide an additional means for the bank to control domestic liquidity;
- Foreign creditors with claims within the debt standstill net will be able to sell the balances indirectly through authorised dealers in foreign exchange to the Reserve Bank.

Mr Jaap Meijer, deputy governor of the bank, stressed the money market angle behind the decision to enter the market.

He noted that a marked improvement in the country's balance of payments position in the first nine months of 1991 led to an easing of liquidity in the money markets such that the bank struggled to keep an adequate shortage.

It was useful, he said, to have this additional instrument to regulate liquidity. He said the amounts involved would probably be fairly small compared with the monthly shifts in reserves.

Mr Mike Brown, economist at Frankel Max Pollak, the stockbroker, said he thought the move was designed to increase confidence in the country. "They want to normalise the country's involvement in international capital markets and they don't believe you can do that with a major discount between the commercial and investment currencies."

A large discount raised doubts in investors' minds as to the discount they would have to pay to get money out of the country.

Mr Brown said that although the new policy could dampen equity prices, which traditionally gain from a weak financial rand, it would probably boost investment in gilts because a narrowing of the financial rand discount offered a capital gain.

The volatility of the financial rand is shown by the fact that the discount to the commercial rand widened from 8 per cent at the beginning of December to 33 per cent in mid-February amid rumours of a new tax on foreign investors.

One aspect of the new policy is that it could provide investors with a one-way bet. If the discount widens perceptibly, investors will feel safe to buy financial rands in the expectation that the Reserve Bank will be intervening to support the price.

The Reserve Bank has often said that it would like to abolish the two-tier currency system, thus removing the stigma of an unsound economy. Bank officials believe, however, that there remains too much uncertainty to contemplate abolishing it.

Other determing factors will be the country's balance of payments position and its reserves, as well as whether it obtains IMF support.

Merloni profits rise to L11.7bn

By Haig Simonian in Milan

MERLONI Elettrodomestici, the Italian white goods group, reported a surge in net profits of 80 per cent to L11.7bn ($9m) last year, due to improved sales and an improved debt-equity ratio.

Turnover of the company, known for its Ariston, Indesit and Scholtes brands, rose by 3.4 per cent to L1,192bn, while investment spending jumped almost 69 per cent to L59bn.

Merloni, which has expanded quickly in recent years through acquisitions, had been blighted by general over-capacity in the European white goods industry and saddled in particular by its heavy borrowings used to finance growth.

Net borrowings last year amounted to L194bn, compared with shareholders' funds of L212bn.

However, results were less satisfactory at parent company level. The parent company slid into a L8.6bn loss last year after having broken even in 1990.

Around L3.6bn of the loss stemmed from contributions to an early retirement scheme, which will continue to affect future earnings, and L7.9bn from advance depreciation. Nevertheless, the company has decided to tuck into reserves to pay a dividend of L45 for ordinary shares and L65 for savings shares.

- La Rinascente, Italy's biggest department store chain, owned by Fiat, raised group net profits by 4.7 per cent to L100.9bn last year. Sales climbed by 10 per cent to L4,595bn, excluding value-added tax.

The improvement led the company to raise the dividend by L10 a share to L180 for ordinary shares and L140 for savings stock. Group net cash rose by L46.4bn to L529.3bn.

Rinascente confirmed its commitment to an ambitious expansion programme, particularly for new hypermarkets, with three openings planned this year. The group's total network of stores, supermarkets and hypermarkets rose by 38 to 740, including affiliates, by the end of last year.

In the first two months of this year, turnover rose by around 12 per cent to L721bn. Further growth will come through a L2,000bn investment programme to 1996, involving around 100 store openings, notably in southern Italy.

Rinascente gained government approval last month for a restructuring programme linked to its new investment plans, with some existing stores being converted and others closed.

- Saffa, the boxboard and packaging group, reported a 24 per cent jump in group sales to around L640bn last year.

Consolidated profits will not be released for some time, but Saffa said parent company earnings had risen to around L27bn.

Bols up 17% and lifts payout

By Ronald van de Krol in Amsterdam

BOLS, the Dutch spirits group which is expanding rapidly into wines and low-alcoholic drinks, announced a 17 per cent increase in 1991 net profit and a 11.5 per cent rise in its annual dividend.

Net profit rose to Fl 105.4m ($56.4m) last year from Fl 90.1m in 1990. Sales were up 11.3 per cent at Fl 1.33bn, due partly to the first-time consolidation of Ottavio Riccadonna, an Italian producer of vermouth and sparkling wine, and of the French wine house Domaines Michel Bernard.

Operating profit advanced by 14.6 per cent to Fl 144.3m.

The company, which did not make a profit prediction for 1992, said it would raise its 1991 dividend to Fl 1.36 from Fl 1.22 the year before.

In 1991, Bols' financial expenses nearly doubled to Fl 21.1m, mainly reflecting acquisitions in Brazil, France, Italy and Spain.

PDVSA advances despite slide in oil price

By Joseph Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, recorded net earnings of $1.86bn in 1991, an increase of 45 per cent over the $1.3bn recorded in 1990, according to official estimates.

Mr Andres Sosa Pietri, president, said the company was able to post strong financial results, even though the average per barrel price of Venezuela's petroleum exports fell by 22 per cent last year to $15.92.

He said PDVSA compensated for lower oil prices in 1991 by maintaining strict cost controls, and by increasing oil production, refining and exports.

The company's worldwide gross sales were $22.3bn in 1991, down 3 per cent on the previous year, while operating profits were $8.08bn, about the same as the previous year.

PDVSA, one of the world's largest petroleum companies, last year produced an average of 2.48m barrels per day of crude oil, condensates and natural gas liquids. This was the highest production level since 1976, when the company began operations.

Au Printemps surges to FFr1.86bn

By William Dawkins in Paris

AU PRINTEMPS, the Paris stores group, unveiled a six-fold increase in profits for last year, boosted by a capital gain on the sale of a stake in the Euromarché and Viniprix supermarket chains.

Group net profits rose to FFr1.86bn ($330m) from FFr317m in 1990, on sales up by 6 per cent at FFr31.28bn from FFr29.38bn. Earnings included a FFr1.84bn exceptional gain, against a FFr41m one-off gain in the previous year.

Au Printemps received FFr2.26bn for the sale of its stakes last June in Euromarché and Viniprix to rival chain Carrefour.

Ford's Australian losses deepen to A$114m as sales fall

By Kevin Brown in Sydney

FORD Australia, a subsidiary of the US motor group, yesterday announced a net loss of A$114m (US$87m) for the year to the end of December, compared with a net loss of A$83m in the previous year.

However, Ford said the net loss fell to A$61m after deducting the cost of restructuring and charges relating to prior years' operations. On that basis, the loss was A$22m smaller than in 1990.

Ford said revenue was down 19 per cent to A$2.3bn. The total Australian market for cars and trucks fell by 17 per cent to 514,566 vehicles, the lowest for 20 years with the exception of 1987.

The group lost overall market leadership during the period to Toyota, the Australian subsidiary of the Japanese motor group, but claims to have recovered its lead in the last six months of the year.

Mr Jac Nasser, president, said the group had improved product quality and productivity and was well prepared for a recovery in the vehicle market when confidence returned to the economy.

But he said long-term recovery for the Australian vehicle industry would depend on government action to boost the economy, including lower interest rates, tax relief and increased export incentives.

He said the urgency of the problem confronting the industry was highlighted by forecasts that imports would take 53 per cent of the market in the first quarter of this year, compared with about 45 per cent in the comparable period of last year.

Mr Nasser said the industry's difficulties were likely to be worsened by recently-announced voluntary restrictions on Japanese car exports to the US, which would cause Japanese manufacturers to consider increasing exports to Australia.

Statistics released by the federal government yesterday showed that new car registrations fell by 3.5 per cent in February, compared with the comparable month of last year.

However, the trend figures, which smooth out fluctuations in monthly figures, showed an increase of 2.2 per cent, the strongest rise for more than two years.

- Mitsubishi Motors Australia plans to buy out minority shareholders and delist its shares from the Australian Stock Exchange, Reuter reports from Adelaide.

Mr Mike Quinn, managing director, said the decision was taken because of exchange rules requiring an adequate spread of shareholders and because of illiquid trading in the shares.

It would pay the shareholders, who own 2.9 per cent of the company, A$7.75 a share, for a total of A$1.86m.

At the same time, MMAL reported a fall in net losses to A$23.79m for 1991 from profits of A$13.72m. Sales fell to A$1.23bn from A$1.29bn.

Atlas Mining slips into red

By Jose Galang in Manila

ATLAS Consolidated Mining and Development Corporation, a leading Philippine mining company which operates the biggest copper and gold mine in the Far East, yesterday reported a 1991 net loss of 490.8m pesos ($20.197m), compared with a net profit of 309.9m pesos the year before.

Net revenues amounted to 4.2bn pesos, down 14.3 per cent, as low metal prices and reduced world demand took their toll on the company's performance.

The company, whose shares are traded in Manila and New York, said the 1991 loss could have been higher but for "drastic cost reductions in all areas, combined with a higher level of efficiency in operations".

It said copper prices were not likely to improve significantly in the short term, so it had refocused its strategies.

INTERNATIONAL CAPITAL MARKETS

Gilts driven down to pre-Maastricht levels

By Richard Waters in London and Patrick Harverson in New York

GOVERNMENT BONDS

FUTURES-LED trading drove the UK government bond market down again yesterday, wiping out the gains made earlier this week and putting the market back to around its lowest levels since before the Maastricht summit last autumn.

As in recent days, gilts opened unsettled by the latest opinion poll results, which showed a small lead for the opposition Labour party. The difference yesterday was a series of nervous rumours that some foreign investors were selling gilts, and that the Bank of England had offered stock to market makers.

Together with a poor day for other European bond markets, this pushed prices on longer-dated bonds down by around ¾ of a point, though some of the losses were recovered later in the day.

The long gilt future on Liffe, which had opened at 94⅝, advanced to 94 11/32 early in the day, before the bad news wiped nearly a point off the price.

The Bank of England does not have any current tap stock to supply to the market, but was rumoured to be looking to sell stock unofficially.

The fear of a greater supply of stock was stoked up by hints that some foreign investors – recently content to wait on the sidelines for the outcome of the general election on April 9 – had been unloading some of their holdings.

With apparent resistance at around 94, the futures contract bounced back by nearly a quarter of a point from its lows of the day.

In the cash market, the mark-down was reflected in longer-dated bonds, with the 11¾ per cent bond due 2003/07 closing around ½ point lower than its Wednesday close. Shorter-dated gilts lost little ground, with the 10¼ per cent bonds due 1997 losing less than ¼ point on the day.

■ US Treasury prices moved in opposite directions along the yield curve yesterday morning as traders and investors swapped long bonds for shorter-dated securities.

By midday, the benchmark 30-year government issue was down ⅛ at 101⅛, yielding 7.985 per cent. The two-year note, in contrast, was up 1/32 at 100⅛ at midsession, yielding 5.666 per cent.

Although there was no clear cause for the rush to the short end yesterday, investors are reckoned to have favoured notes over bonds because of the belief that the economic recovery will remain anaemic for some time, and that the Federal Reserve will, therefore, keep monetary policy relaxed for most of the year.

The day's only fresh economic news – a 15,000 rise in weekly jobless insurance claims – was in line with expectations and had no real impact on prices.

■ INFLATION figures from two German states came in much as expected, leaving the bund market still beset by doubts about where to look for any improvement in the short term. The state of Hesse reported year-on-year price rises of 4.9 per cent, against 4.5 per cent in North Rhine-Westphalia. At these levels, analysts said, the overall rise was likely to be around the expected level of 4.7 per cent.

Bunds remained in a narrow trading range, losing ground recovered the day before. The yield on 10-year bonds rose from 8 per cent to 8.024 per cent on the day, while the bund futures contract on Liffe, which opened at 87.30, lost ground to close at around 87.37.

■ FRENCH government bonds tracked the German market closely as investors awaited a cabinet reshuffle promised by Mrs Edith Cresson, the prime minister. It seems that only the removal of Mrs Cresson herself will bring much cheer back to the market: and even then, analysts said that political uncertainty was likely to overhang the market for some time to come.

Ten-year French government bonds lost ground yesterday, while maintaining a yield spread of 66 basis points over comparable bunds.

■ JAPANESE government bonds moved ahead slightly, with the yield on the benchmark no 129 falling from 5.33 per cent to 5.31 per cent on the day. However, government bonds are expected to keep to a narrow trading range ahead of an expected cut in the official discount rate next week.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	100.1433	+0.192	9.98	10.13	10.01
BELGIUM		9.000	06/01	100.6000	+0.050	8.88	8.80	8.69
CANADA *		8.500	04/02	98.7500	-0.050	8.69	8.84	8.45
DENMARK		9.000	11/00	100.9000	-	8.83	8.81	8.57
FRANCE	BTAN	8.500	03/97	98.1450	-0.036	8.97	8.96	8.72
	OAT	8.500	11/02	98.8800	-0.070	8.65	8.66	8.46
GERMANY		8.000	01/02	99.8300	-0.140	8.02	7.95	7.89
ITALY		12.000	02/02	98.0100	-0.160	12.35†	12.25	12.18
JAPAN	No 119	4.800	06/99	95.9290	+0.075	5.58	5.60	5.75
	No 129	6.400	03/00	106.0236	+0.028	5.32	5.34	5.36
NETHERLANDS		8.250	02/02	98.9700	-0.160	8.40	8.32	8.26
SPAIN		11.300	01/02	102.0900	+0.140	10.92	10.88	10.73
UK GILTS		10.000	11/96	99-28	-03/32	10.03	9.99	9.42
		9.750	08/02	99-21	-12/32	9.80	9.81	9.31
		9.000	10/08	95-04	-17/32	9.60	9.58	9.11
US TREASURY *		7.500	11/01	99-24	-03/32	7.53	7.55	7.40
		8.000	11/21	100-09	-11/32	7.97	7.97	7.91

London closing, *denotes New York morning session. Yields: Local market standard. † Gross (including witholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Finnish banks downgraded by Moody's

By Tracy Corrigan

THE crisis in the Finnish banking industry prompted Moody's, the US rating agency, to downgrade the debt of three Finnish banks yesterday, despite the announcement last week of a rescue package from the government, designed to halt the crisis.

Kansallis Osake Pankki, Okobank, and the Union Bank of Finland all had their debt ratings lowered yesterday, affecting $8.6bn of outstanding debt.

KOP's senior debt was downgraded from Aa3 to A2, and its subordinated debt from A1 to A3; Okobank's senior debt rating fell from Aa2 to Aa3, while its subordinated debt dropped from Aa3 to A1; and Union Bank of Finland's senior debt was knocked from Aa3 to A1, and its subordinated debt from A1 to A2.

The commercial paper of all three banks was not under review and is unchanged at Prime-1.

Despite recent attempts by the government to stimulate the economy, "the [Finnish] banking environment will remain under significant stress for the intermediate term," according to Moody's.

The rating agency attributed the problems in the banking industry in part to the over-expansion of credit during a period of rapid deregulation.

"Current levels of capital are likely to be eroded as core earnings contract and loan losses mount," the agency said. Many Finnish banks reported large losses in 1991.

However, proposed capital injections by the government and the establishment of a deposit guarantee mechanism were welcomed.

On Wednesday, it was announced that Skopbank, which was rescued from collapse last autumn, is to receive a capital injection of FM1.5bn ($333.3m) from the Finnish central bank, its main shareholder.

Plans advance for single European credit rating agency

By Simon London

MOVES to establish a single European credit rating agency look set to be stepped up following the announcement this week of merger talks between IBCA, the London-based agency, and Euronotation of France.

If the two parties can agree terms, the merger will bring together the French agency's coverage of the domestic corporate sector with IBCA's international coverage of banks and UK corporations.

It remains unclear whether the merged Anglo-French agency will be able to reach agreement with a German consortium which is close to finalising plans for a pan-European rating agency.

The consortium of German banks, corporations and institutions has been working on the project for three years. According to Mr Olivier Eveling, member of the project committee, full plans for an agency will be announced by the year-end. "There are large areas of similarity between our methodology and that of IBCA," he said.

There remain differences between the approach favoured by the German consortium and the way in which IBCA has built its business. In particular, IBCA undertakes some unsolicited ratings based only on published information, without access to confidential material from the company rated. The German approach favours an agency which only makes solicited ratings.

If the IBCA/Euronotation merger goes ahead it will receive equity backing from Centenaire Blanzy, the French holding company with interests ranging from publishing to market research.

The German project is still looking for an equity backer. Mr Eveling said the consortium which financed the study is unlikely to provide equity finance for a fully-fledged agency. There could be a conflict of interest if the agency was asked to rate a shareholder, he said. Funding is more likely to come from outside the financial sector, possibly from a publishing firm.

Both sides agreed that a European rating agency is desirable to provide competition for Moody's Investors Service and Standard & Poor's, the US rating agencies which dominate the fledgling market.

"It is crazy that an industry as important as credit rating should be dominated by two companies, however good they are," commented Mr Robin Monro-Davies, managing director at IBCA. Earlier attempts to challenge the dominance of Moody's and Standard & Poor's in Europe have ended in failure. In 1989, Fitch, another US rating agency, closed its Euroratings subsidiary following four years of losses.

Generously-priced new issues raise little enthusiasm

By Simon London

INTERNATIONAL BONDS

THE uncertain tone continued in the international bond market yesterday, with even generously-priced new issues finding little enthusiasm among investors.

Tohoku Electric Power, the fifth largest of the Japanese power utilities, launched a $250m five-year issue via Yamaichi International. The 7¾ per cent bonds were reoffered to investors at a fixed price of 99.90, for a yield 66 basis points more than US Treasury bonds.

Participants said that the pricing was fair, with bonds of a similar maturity issued by other Japanese power companies offering a yield spread of around 60 basis points.

However, demand for the paper was restrained against the background of a weak US Treasury market.

In addition, few investors are familiar with a borrower making its first Eurodollar bond issue since 1984. The bonds traded down to 99.85 bid, where the yield spread over US government paper was 69 basis points.

Osaka Gas, another Japanese utility, launched a DM300m five-year deal, lead managed by Westdeutsche Landesbank, into an equally lacklustre German bond market.

The paper carries a coupon of 8½ per cent and was priced to yield 8.79 per cent, or 49 basis points more than German government bonds. Again, the pricing was seen as generous by participants, offering a higher yield than bonds issued by European corporations. For example, five-year bonds issued by Fiat offer a yield of around 8.62 per cent.

But the deal struggled to find buyers in a market dominated by negative sentiment. The bund futures contract on the Liffe fell to 87.20 during the day, having opened at 87.37.

From an issue price of 101.375, the Osaka Gas bonds traded down to 99.10 bid, just inside full fees.

Nacional Financiera, the Mexican state-backed financing agency, launched a $100m seven-year issue, lead managed by Bear Sterns International. The 9⅜ per cent bonds were re-offered to investors at a fixed price of 99.25, where the yield is 205 basis points more than US Treasury bonds.

Participants reported reasonable demand for the paper, despite a yield spread seen as tight for a Latin American borrower.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tohoku Elec. Power(a)†	250	7.75	101.50	1997	1.875/1.6	Yamaichi Intl.
Nacional Financiera(a)†	100	9.375	99.25	1999	1.25/.75	Bear Sterns Intl.
ECUs						
ASLK-CGER IFICO(a)†	75	10	101.605	1994	1.125/.925	Natwest Cap. Mkts.
D-MARKS						
Osaka Gas(a)†	300	8.5	101.375	1997	2/1.25	WestLB
YEN						
Seiyu(a)†	20bn	6.15	101.60	1997	1.875/1.7	Nomura Intl.
Taisei(b)‡†	20bn	(b)	100	1997	30bp/20bp	Salomon Bros. Intl.
China & Intl. Tst & Inv.(a)†	20bn	6.4	101.50	1997	1.875/1.5	Daiwa Europe
PESETAS						
Inter-American Dev. Bk(c)†	10bn	10.75	101.45	1997	1.625/1	Banco Exterior Intl.

★★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. †Final terms a) Non-callable. b) Coupon pays 60bp below Japanese long term Prime rate. c) Matador issue. Non-callable.

Ban on foreigners buying NTT stock to be lifted

JAPAN plans to lift its ban on foreigners buying stock in Nippon Telegraph and Telephone (NTT), the nation's telecommunications giant, AP-DJ reports from Tokyo.

Today, the cabinet is set to approve a bill allowing foreign holdings totalling up to 20 per cent of the 15.6m shares in Japan's largest company, the Post and Telecommunications Ministry said yesterday.

NTT's shares reached a price of more than Y3m each in mid-1987, soon after the company was converted from a government monopoly to a private corporation, but closed yesterday at 640,000 yen. Since the group's privatisation Tokyo stocks have fallen, NTT has been hit by a bribery scandal and investors' interest in the telecommunications sector has fallen.

Mr Masakazu Oyama, a dealer at Daiwa Securities, said the stock's unpopularity in Japan left NTT with no choice but to target foreign investors.

LONDON MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on March 26

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	64	16
Other Fixed Interest	1	14	2
Commercial, Industrial	261	263	946
Financial & Property	85	153	550
Oil & Gas	14	18	55
Plantations	0	0	9
Mines	22	25	100
Others	41	47	50
Totals	424	584	1,728

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

- *First Dealings* March 16
- Last Dealings March 27
- Last Declarations June 25
- For settlement July 6

3-month call rate indications are shown on this page.

Calls in: Ashley Group, Astec (BSR), BTR Wts.93/94, Bridon, Brown Shipley, City of Oxford Inc., Cannon St, Gestetner, HansonWts., Higgs & Hill, Meekathara, Medeva, Premier and Tarmac. Put in: Proteus. Put & Call in: Speyhawk.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	17	Sears	8	■ OILS	
Allied-Lyons	49	Comm Union	32	Legal & Gen	27	SmKl Bchm A	65	Aviva Pet	30
Amstrad	5½	Courtaulds	39	Lex Service	16	TI	48	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	50	FKI	5½	Lonrho	15	Tesco	19	Conroy Pet	8
BOC	49	FNFC	8	Lucas Inds	10½	Thorn EMI	58	Gaelic Res	½
BTR	32	Forte	18	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	26	Midland Bank	19	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	23	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	■ MINES	
Bowater	58	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	16	Brit Land	18		
British Steel	6	GRE	10	Rank Org	52	Land Sec.	32		
Brit Telecom	24	Hanson	16	Ratners	3	MEPC	26		
Cadburys	33	ICI	80	Reed Intl	39	Mountleigh	1½		

Burmah Castrol static at £165m

By Andrew Bolger

BURMAH CASTROL, the lubricants, chemicals and fuels group, yesterday announced virtually unchanged pre-tax profits of £165.5m, compared with £164.9m, for the year 1991. Turnover showed a rise from £1.72bn to £2.35bn

The result, achieved against a background of depressed world markets and adverse currency translation, were above expectations and the shares advanced 41p to 523p.

The dividend is raised by 4 per cent. The market was also relieved that the company had finally disposed of surplus assets from Foseco, the speciality chemicals company which it bought for £260m at the end of 1990.

Earlier this week Burmah sold Foseco's ceramics, abrasives and diamond products businesses for £44m. The price was well below what Burmah had hoped for at the time of the acquisition, but the group's shares had fallen as low as 464p in December when fears grew that no disposal would be possible in the current market conditions.

The group's core lubricants business made record trading profits and expanded its market share despite depressed world markets.

Mr Lawrence Uquhart, chairman, said he was "pleased, but not smug" about the results. He also detected the "first glimmerings" of a recovery in consumer demand in the US.

Of group turnover the Foseco companies contributed £520m. Underlying growth was 4 per cent.

The company said that the initial Foseco acquisition costs and increase in overseas profits increased tax by £15.8m to £77.3m, lifting the effective tax rate from 37 per cent to 47 per cent.

Earnings per share fell by 19 per cent to 42.6p (52.9p). A final dividend of 15.5p (14.5p) gives a total for the year of 24p (23p).

Mr Lawrence said he was still confident that Foseco had been bought at a good price, but said his group had underestimated the effect of the recession.

In the event, Foseco had diluted the enlarged group's earnings by about 6.5p per share, about double the degree of dilution he had expected at the time of the acquisition.

Burmah said it had decided to dispose of its 64 per cent interest in Pakistan Petroleum and other downstream companies there after failing to get a better gas price agreement with the Pakistan government, which owns 30 per cent of the company.

Burmah had written down the book value of these assets to costs by an extraordinary provision of £31.4m. The company said it hoped the disposals would raise between £20m-£40m.

See Lex

Write-offs leave CSI £35m in loss

CANNON Street Investments, the mini-conglomerate, ran up a loss of £34.9m pre-tax for 1991 of which £34.5m related to an exceptional charge to cover asset write-downs and restructuring costs.

For 1990, the company returned pre-tax profits of £17.3m.

As forewarned in December the final dividend is omitted leaving shareholders with 3.3p for the year – for 1990 they received 8.8p in total.

Mr Robin Binks, who replaced Mr William Hislop as chief executive, said group borrowings had been reduced by £50m to £45m following flotation of the company's Avonside building arm as well as the sale of most of its stake in Betacom and the disposal of Stalbridge Kwick Klean Laundry. Gearing is now down to 90 per cent.

The group will now focus on its distribution and building services operations.

Most of the write-downs concerned the hotel properties. Mr Binks did not expect further write-offs would be necessary once sales had been achieved.

He said profitability had been adversely affected by the recession and heavy interest costs due to the high level of financial gearing.

Net interest rose from £8.5m to £11.5m.

Calor advances 16% to £45m

By Peggy Hollinger

THE COLD winter of 1990 was good news for Calor Group, the bottled gas company, which yesterday unveiled a near-16 per cent increase in pre-tax profits to £45m for 1991.

The result, was struck after exceptional reorganisation costs of £7.2m (£6.5m). Turnover was 10 per cent higher at £362.2m. The increase in sales was partly due to higher gas prices during the year.

Mr Hamish Macpherson, group treasurer, warned that the milder conditions of this winter did not bode well for the group. "From the weather point of view we are more pessimistic than last year."

A proposed maintained final dividend of 6p makes an unchanged 12p total. Calor had indicated at the interim stage that it planned to build up retained earnings for investment purposes.

Earnings per share rose from 15.5p to 18.1p.

During the year, margins came under pressure as Calor cut prices to maintain its market position. Mr Macpherson said that margins continued to decline, especially given the milder winter this year.

The cold weather early last year had given a "leg up" to bottled gas, which has been in long-term decline for several years. Gas tonnage overall had increased by 5 per cent.

Forays into central Europe, through the Pam Gas project in conjunction with SHV, Calor's 44 per cent shareholder, had had a "reasonable" start, Mr Macpherson said.

The restructuring programme continued, with 200 jobs cut already in the current year. The final stage was due for completion in 1992, and would result in a "considerable" exceptional cost.

Strong cash flow had helped to cut debt by £20m to £20.1m, with gearing of 11 per cent.

Restructure behind 40% fall at Bunzl

By Peggy Hollinger

REORGANISATION costs dealt a heavy blow to profits at Bunzl, the paper and packaging group which has been struggling to repair the damage of an acquisitive binge in the 1980s. The pre-tax return fell by 40 per cent to £31.7m, after exceptional items.

The final dividend is cut from 3.3p to 2.2p, for a total of 4p (5.9p), just covered. Earnings per shares were hit by a higher tax rate and fell from 7.4p to 4.1p.

Mr Tony Habgood, chief executive, said Bunzl had now unwrapped all of its peripheral or loss-making activities and was ready to make progress with its core businesses.

The cost of reorganising the core businesses resulted in a much higher than expected exceptional charge of £12.9m. This was trimmed back, however, by an exceptional gain of £4.2m on the sale of a laser instrumentation business, involved in cigarette and filter making.

● **COMMENT**

Bunzl has a steep hill to climb, although under Tony Habgood it has made encouraging progress. Not least in the decision to make accounting practices on disposals much clearer than in recent years, resulting in the sharp jump in interest payments from £5.4m to £9.3m. The jury is still out, however, on the potential of the remaining businesses, which combine distribution and manufacturing. Forecasts are for £45m, hopefully without exceptionals, and a prospective p/e of about 12. The shares are likely to advance in the short term, fuelled by those happy to see a determined management. But in the medium to long term, the current premium of 10 per cent looks unjustified.

See Observer

APV shares slip 8p as profits fall to £30.8m

By Andrew Bolger

SHARES in APV fell by 8p to 108p yesterday after the food manufacturing equipment maker reported a 23 per cent fall in pre-tax profits to £30.8m in the year to December 31.

Sir Peter Cazalet, chairman, said orders in the second half of 1991 did not repeat the sharp decline experienced in the corresponding period of 1990, so the full-year order intake last year was about 5 per cent higher than in 1990.

However, a bunching of orders towards the year-end meant the group was unlikely to achieve the same level of profit in the first half of this year as it did in 1991, when pre-tax profits were £14.5m.

Overall APV said it entered 1992 with an order book 15 per cent above the level a year earlier, and indications so far were that the overall order intake was broadly in line with that experienced at the same time last year.

Turnover last year grew by 5.8 per cent to £874.4m, while earnings per share were 23 per cent down at 6.9p (9p). An unchanged final dividend of 3.4p is proposed maintaining the total at 5.4p. Gearing rose slightly from 40.4 per cent to 42.1 per cent.

APV makes more than 80 per cent of its sales overseas and said that continuing recession in the UK, US and Australia, along with signs of a slowdown in Germany, had not encouraged investment. While the food and beverage sector was resilient, the prevailing economic environment meant there was a tendency to defer capital expenditure.

Last year APV's return on sales margin fell from 5.8 per cent to 4.7 per cent.

Over tha past two years, APV has shed about 1,800 jobs worldwide, and the group said further action would be taken to reduce operating costs where necessary. Restructuring costs of £8.9m were offset by the release of a fair value provision of £5.9m, leading to a net extraordinary charge of £3m.

Slough Estates hit by property market but maintains dividend

By Maggie Urry

THE PROBLEMS of the property market left 1991 pre-tax profits of Slough Estates, which has a bias to industrial property, down from £86.4m to £68.3m before exceptional costs of £36.7m against £63.8m.

However, the group proposes a maintained final dividend of 7.15p, giving a slightly higher total of 11.55p (11.35p).

Sir Nigel Mobbs, chairman and chief executive, said that though the dividend was not covered by earnings per share of 8p (8.1p) it reflected "our continuing confidence in the future prospects of the group". He expected 1992 earnings to be sufficient to cover a maintained dividend.

Net assets per share, diluted, fell from 375p to 331p. The shares, up 1p yesterday at 177p, stand on a 46.5 per cent discount to the asset value.

Sir Nigel said that 1991 had proved even more difficult than 1990, which at the time had been the worst property market he could remember.

He said that oversupply of property would "restrict new speculative development for some years ahead" and that banks were reluctant to lend on new schemes. This would hasten the absorption of existing vacant space.

The group's industrial bias and low exposure to central London office properties had helped the portfolio, he said.

Operating income fell from £118m to £109m because of an absence of property trading profits which contributed £11.4m in 1990. Net interest took £27.4m (£24.5m). The exceptional costs related to write-downs of trading properties and other provisions.

Net debt fell from £825m to £739m, helped by last April's £138m rights issue, while shareholders funds rose to £1.1bn (£1.08bn).

● **COMMENT**

After the horrors of the last two years it should be safe to assume that Slough's asset value will stick at about the 330p level this year. A discount of approaching 50 per cent makes the shares look cheap against the sector. Further, the implied promise of a held dividend gives an attractive-looking yield of 8.7 per cent. And the shares have been rotten performers in recent months. So why did the shares give up all but a penny of early gains yesterday? The debate is over capitalised interest – expected to add about £40m to profits in 1992 which should reach £60m to £65m – without which the dividend will not be covered. In such a gloomy environment it would be brave to take the less conservative view.

Productivity gains help Spear rise 81%

Improved manufacturing productivity and lower interest, down from ££517,000 to £371,000, helped JW Spear & Sons, the toys and games maker, to achieve an 81 per cent increase in pre-tax profits, from £1.4m to £2.53m, for 1991.

Mr Michael Bucher, managing director, said the 20 per cent rise in turnover to £27.3m (£22.8m) benefited from a considerable increase in sales to continental Europe.

Earnings per share advanced to 32.3p (17.9p) and the proposed final dividend of 8p brings the total to 10p (8p).

Arnotts moves ahead to I£4.22m

Arnotts, the Dublin-based department store operator, reported pre-tax profits up 10 per cent from I£3.84m to I£4.22m (£3.9m) for the year to January 31. Turnover was I£44.1m, against I£41.6m.

Earnings per share were 14.1p (12.2p) and the final dividend is raised to 5.25p for a total of 7.5p (7p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleyard	fin	5.2	May 14	5.2	7.8	7.8
APV	fin	3.4☆	June 19	3.4	5.4	5.4
Arnotts	fin	5.25♣	June 26	4.75	7.5	7
Beauford	fin	nil	-	4.22	1.85	6.07
Booker	fin	14.25	July 1	14	21.75	21.25
Bostrom	fin	3.5	May 29	3.5	6	6
Boustead	fin	0.35	-	1.1	0.7	1.65
Bunzl	fin	2.2	July 1	3.3	4	5.9
Burford	*fin*	*0.5*	*May 8*	*0.45*	*0.95*	*0.85*
Burmah Castrol	fin	15.5☆	July 10	14.5	24	23
Calor	fin	6	July 1	6	12	12
Cannon St Invs	fin	nil	-	5.5	3.3	8.8
Clarkson (H)	fin	5.25†	-	5.25	8	8
CMW §	fin	1.53	May 29	-	2.43	-
Coats Viyella	fin	4	July 1	4	7†	7
Gleeson (MJ)	int	3.35	June 26	3.12	-	11.86
Jeyes	fin	3.8	-	3.2	6.4	5.4
Kalamazoo	int	0.525	May 15	0.5	-	2
Lopex	*fin*	*nil*	-	*1.1*	*nil*	*4*
Morrison (Wm)	fin	1.6†	May 22	1.2	2	1.55
Murray Ventures	int	3.4	May 22	3.4	-	10.3
MY Holdings §	int	0.25	May 20	nil	-	0.5
Pittard Garnar	fin	1.5	May 14	nil	1.5	0.25
Plasmec §	fin	1.5	July 1	1.8	2.5	3.6
Ricardo Intnl	int	1.9†	May 1	1.9	-	5.7
Sandell §	fin	nil	-	nil	nil	1.7
Secure Trust	fin	8.5	June 1	7.5	12	10.5
Shelf Insulation	fin	3.6	May 12	3.6	5.4	5.4
Slough Estates	*fin*	*7.15*	*May 26*	*7.15*	*11.55*	*11.35*
Spear (JW)	fin	8	July 3	8	10	8
Tibbett/Britten	fin	7.4†	May 29	6.3	10.8	9.2
Tudor §	fin	nil	-	1.7	0.5	2.7
Utd Newspapers	fin	13.5	June 15	13.5	21†	21
Weir	fin	7.4†☆	June 18	6.5	10.5	9.3
Wellcome	int	4	July 1	3	-	10
W'holme Rink	fin	10†	May 23	10	16.3	16.3

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ♣Irish currency.

Chelsea chief buys Cabra stake

By Jane Fuller

MR KEN BATES, chairman of Chelsea Football Club, has bought a 27 per cent stake in Cabra Estates, the club's heavily indebted landlord.

The purchase, for about £3m, from Mr Ashraf Marwan, an Egyptian financier, is Mr Bates's latest line of attack as Cheslea struggles to avoid eviction from Stamford Bridge, its London ground.

Mr Bates is now the largest shareholder in Cabra Estates, with which he has been in dispute for most of the three years since Cabra took over Marler Estates.

He is understood to have paid between 11p and 12p a share for the stake, valuing Cabra at about £11m, less than half the £22.85m price recently put on Stamford Bridge by an independent valuer.

Cabra also owns Fulham FC's Craven Cottage ground and a construction company in the Republic of Ireland, but its debts have grown to more than £50m – something of a deterrent to a bid. The shares jumped 2p to 9p yesterday.

The property company reiterated yesterday that it was still determined to force Chelsea to pay the £22.85m for the ground, or evict it. It recently won a High Court order saying that Chelsea should fulfil a contract to pay the sum. This has gone to appeal.

Mr Bates is using his new position as a major shareholder to call for an extraordinary meeting. The agenda will probably include the suggestion that Mr John Duggan be ousted as Cabra's chairman, as well as a question about the future of Stamford Bridge. Mr Duggan said the board would probably meet Mr Bates, who had requested a seat on it.

Mr Marwan said yesterday he had tried to encourage the two sides to find an amicable solution. "But this was difficult, so I decided to sell Mr Bates the shares."

The recorded message on Chelsea's Clubcall telephone line described the purchase of the stake as "the biggest transfer of all". It also got the decimal point in the wrong place over the amount spent, saying it was £29m.

Utd Newspapers drops to £85m

By Raymond Snoddy

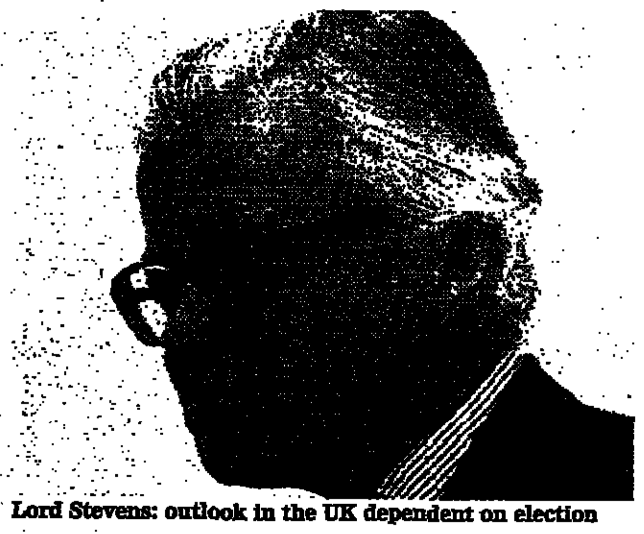
UNITED NEWSPAPERS, the publisher of the Daily Express, Sunday Express, Daily Star and Yorkshire Post, yesterday announced an 11 per cent drop in pre-tax profits to £85.2m in 1991, against £95.7m last time.

Lord Stevens, chairman, said the results illustrated the depth and the extent of the recession and were "not unreasonable in the circumstances".

He added that, although 1992 had started somewhat better than expected in the UK and the US, the outlook in the UK was heavily *dependent on the* result of next month's general election and its effect on economic recovery.

Turnover slipped to £812.6m (£829.1m) and earnings per share fell to 27.1p (31.7p). Despite the effect of recession on the group, it is holding its final dividend at 13.5p for an *unchanged* total of 21p. The shares rose 13p to close at 373p.

Lord Stevens said he was particularly encouraged by the way costs had been controlled and by the improved performances, despite adverse conditions, from advertising-supported magazines in the US, and from Extel Financial and Express Newspapers in the UK.



Lord Stevens: outlook in the UK dependent on election

Mr Neil Blackley, media analyst at James Capel, the stockbroker, said that the results were a lot better than many people had expected and that many parts of the company were poised for growth once the recession ended.

"I think the quality of the portfolio is improving," he said, adding that the Sunday Express had improved its share of the Sunday market and the Daily Express was holding its own. The Daily Star, after poor sales averaging about 786,000 in February, had shot up to more than 825,000 in March.

Part of the cost-cutting had come from closing uneconomic titles. The process continued this week when the group announced that Punch would *close on April 8 unless a buyer* was found.

Mr Graham Wilson, United managing director, said that although there had been numerous expressions of interests no concrete bids for the 150-year-old humour magazine had yet been submitted.

Overall, Mr Wilson said he planned to continue to publish aggressively, to increase market share and to go for growth.

Profits of United's national newspapers actually rose slightly from £23.8m to £24.3m and there was only a 6 per cent drop in regional newspaper profits to £27.1m despite a 31 per cent fall in situations vacant advertising.

Advertising periodicals had profits of £30.1m (£32.1m) but magazines and exhibitions fell more sharply from £29.6m to £21.4m.

Boustead falls into the red in second half

BOUSTEAD, the specialist *manufacturing, technical services* and distribution company, fell into the red in the second half of 1991.

Full year pre-tax profits fell from £5.21m to £886,000 following interim profits of £1.04m.

Sir Thomas Macpherson, chairman, blamed the difficult economic conditions, particularly in the UK.

At the same time the company announced the sale by Bousteadco Singapore, its 64.5 per cent owned offshoot, of its shipping and hose coupling manufacturing businesses to a Malaysian group. In aggregate the result was an extraordinary gain to Boustead of about £600,000 and a reduction on borrowings of £1.3m which would have cut year end gearing to about 60 per cent.

A breakdown of the pre-tax figure showed lower results in all sectors. The worst outcomes were in manufacturing, which fell from £2.35m to £124,000, and in transmission products distribution with a loss of £716,000 against profits of £27,000.

With earnings of 0.6p (4.2p) a lower final dividend of 0.35p makes a total of 0.7p (1.65p).

An extraordinary charge of £1.64m (£2.63 credit) left the *loss for the year at £1.7m,* (£4.33m profit).

Margins squeezed as Wm Morrison rises

By John Thornhill

WM MORRISON Supermarkets, the Bradford-based grocery chain, reported a 25 per cent *increase in annual profits as it* surged through the current turbulence in the UK food retailing market.

The company recorded one of the strongest sales performances in the sector as it raised sales from same-store space by 7.8 per cent, helping to lift pre-tax profits for the year to February 1 from £50.3m to £62.6m.

However, trading margins suffered as a result of the company's insistence on keeping prices competitive, slipping from 6.3 per cent to 6.1 per cent. Mr Martin Ackroyd, finance director, said: "In this marketplace something has got to give."

Turnover expanded 23 per cent to £1.12bn as the company benefited from four store openings and a strong contribution from subsidiary companies.

Six new stores will open this year taking the total to 59. The company also outlined an ambitious expansion programme for the following year with a further seven stores planned. This will largely be funded by the proceeds of its £98m rights issue last November.

Net interest payable was reduced from £4.87m to £3.78m. Fully diluted earnings per *share rose by 22 per cent to* 18.49p.

Directors said that in the light of the results they would increase the dividend by more than envisaged at the time of the rights issue.

A *final of 1.6p brings the* total to 2p (1.55p), an increase of 29 per cent.

The shares responded strongly to the profits increase and a proposed 2-for-1 scrip issue, climbing by 15p to 328p.

● COMMENT

Morrison's gritty no-nonsense approach to food retailing certainly chimes with the mood of the times and was rewarded with a strong gain in profits. Although eye-catching, the slippage in margin resulted from a planned squeeze on prices in order to remain fully competitive and is not in itself a cause for alarm. Indeed, the strategy seems to have worked well as turnover kicked ahead and the company gained impressive improvements in volume sales against a near-static industry average. This year, analysts suggest pre-tax profits may move ahead to £83m putting the shares on a prospective multiple of a shade over 14. The market is saying there is a sound future for the best-run regional grocer in spite of the ever-growing power of the leading groups. The share price is likely to perform resiliently but will be held in check by the adverse senti*ment that still prevails* towards the sector.

Redundancy costs push Lopex into red

Lopex, the marketing and communications group, was forced into the red in 1991 after a £1.28m exceptional charge for redundancy costs.

Pre-tax losses came to £398,000, compared with profits of £4.98m last time. Before the exceptional, profits would have been £883,000.

Lord Marsh, chairman, blamed the recession and the consequent decline in trading activity for the downturn. He said the austere 1990s had left "many companies dressed in a very tight corset", adding that all of the group's businesses had been adversely affected.

Turnover declined to £206.6m (£242.7m), leaving revenue down at £58.7m (£73.6m). Trading profits were sharply reduced to £2.38m (£6.67m).

However, Lopex has largely eliminated its borrowings: in June 1990 they were £24m.

Losses per share were 4.76p (earnings 9.17p) and shareholders will receive no payment for the year (4p) with the passing of the final dividend (1.1p).

Tibbett & Britten drives ahead 15% to £13.5m

By Bronwen Maddox

TIBBETT & BRITTEN Group, the clothing and grocery distribution company, reported a 15 per cent jump in pre-tax profits, from £11.7m to £13.5m as acquisitions and interest received on cash balances helped compensate for tough conditions in clothing.

The rise was achieved on a 16 per cent increase in turnover to £181.2m (£155.6m). The group said that 80 per cent of the new revenue came from organic growth, helped by new contracts with Marks and Spencer and J Sainsbury.

Nevertheless, operating margins fell to 6.9 per cent (7.2 per cent) mainly because of pressure in clothing and textiles, which make up just under half of group revenue. Although overseas and distribution for individual clients performed well, shared-network distribution, about a fifth of the clothing division, became unprofitable as volumes and prices fell.

The retail consolidation division, which handles electrical and non-food goods, saw revenues up by 30 per cent following previous investment in warehousing for the B&Q Retail DIY chain, and a new contract from Digital Equipment Company.

Lowfield Distribution, which handles foodstuffs, saw turnover rise 12 per cent, helped by the acquisition of a further contract from J Sainsbury.

Capital expenditure at £14m was some £6m lower than in previous years, but the company also spent £6m on acquisitions, mainly a regional distribution centre for Marks and Spencer.

However interest receivable still increased to £984,000 (£354,000).

Mr John Harvey, chairman, warned that "1992 will not be an easy year" but added that "tough conditions create change, and change helps us."

Helped by a slight fall in the tax charge, earnings rose by 14 per cent to 25.7p (22.5p). A final dividend of 7.4p marked a 17 per cent rise in the total dividend to 10.8p (9.2p).

Sheffield Insulations slumps to £1.5m

The severity of the continued decline in construction activity was reflected in the sharp drop in profits for the 1991 year at Sheffield Insulations Group.

Pre-tax profits fell from £5.6m to £1.5m although turnover rose from £127m to £132m with price deflation also placing margins under pressure.

The group supplies insulation products and services for energy conservation.

It has increased its market share through acquisition and new business development but gross margins fell and costs rose mainly as a result of the integration and development of the acquisitions.

Mr Norman Adsetts, chairman, said he did not believe that market demand would change significantly in 1992.

Although not fully covered by earnings of 3.7p per share, compared with 15.6p, the dividend total is unchanged at 5.4p with a proposed final of 3.6p.

Kynoch launches rights to fund two acquisitions

G&G KYNOCH, the medical and scientific products group, yesterday reported preliminary results for the 16 months to end-December, two acquisitions and a £2.6m call on shareholders to fund the purchases.

Profits before tax amounted to £851,000, compared with profits of £703,000 for the year to December 31 1991 and losses of £983,000 for the 12 months to August 31 1990.

The acquisitions are Astec Environmental Systems, a manufacturer of filtration *fume cupboards*, and *Peteric*, a maker of biological safety cabinets and related containment equipment.

The purchases, both in cash, will expand the range of products of Kynoch's medical division and services and provide access to new markets in Europe and the UK.

Maximum consideration for Astec is £1.05m and that of Peteric £414,000.

The rights issue, underwritten by Beeson Gregory, is of 7.9m new ordinary shares at 36p each on a 2-for-3basis.

Pillsbury in $69m venture

By Guy de Jonquières, Consumer Industries Editor

Pillsbury, the food subsidiary of Grand Metropolitan, is to form a joint venture with Archer Daniels Midland (ADM), the Chicago-based agribusiness group, which will take over Pillsbury's US flour milling business.

ADM will pay Pillsbury $68.5m (£39.5m) for 50 per cent of the joint venture, ADM/TPC Milling, and will manage its four mills. These will continue to supply flour to Pillsbury for sale to retail and commercial customers.

COMPANY NEWS: UK

Acquisitions help Weir to £34m

By Peter Martin

WEIR Group, the Glasgow-based engineer, yesterday displayed cautious optimism while reporting a 26 per cent rise in pre-tax profits for 1991 and a 14 per cent rise in the final dividend.

"Our order book is good, demand is holding up, and we have a strong financial position," said Lord Weir, chairman.

He added that, despite a difficult economic background, he was "fairly optimistic that we can continue the momentum of the last few years."

Profits for the 52 weeks to December 27 rose from £27.2m to £34.2m on turnover up 33 per cent to £424.1m (£318.9m).

Earnings per share rose 11 per cent to 32.1p (28.8p) and the final dividend of 7.4p (6.5p) makes a 10.5p (9.3p) total.

Mr Ron Garrick, managing director, said half the rise in turnover came from acquisitions – including the full-year benefit of purchases made in 1990. The other half came from growth in the company's basic business.

New orders in 1991 rose 38 per cent to £474m, divided evenly between the company's five main markets – the oil industry, marine, water supply and sewage, general industrial and power generation.

The biggest single order was a contract for a desalination plant in Dubai, worth £23m in revenues to Weir Group companies.

The main division, engineering products, increased turnover by 42 per cent to £342.4m and pre-tax profits by 40.2 per cent to £14.2m. At the smaller engineering services division, turnover rose 5.4 per cent to £165.4m but pre-tax profits were flat at £12.5m.


Colin Beere
Ron Garrick (left) with chairman Lord Weir

● **COMMENT**

The company's decision, born of desperation in the last recession, to move towards more specialised, "difficult" technologies has paid off in two ways. Despite a slight dip in margins, Weir has remained immune, so far, from the worst of the industry's price pressures. And the niches it chose – including gas turbine power generation, the oil industry and water treatment – have all continued to grow briskly. The company is confident that it can keep a cost advantage over German rivals at DM2.95 to the pound, and the steady flow of small acquisitions is likely to continue. Worries include the possibility that continental competitors will slash prices to keep order books full if the German slowdown worsens. The share price has outperformed the sector by 195 per cent in the last five years and 9 per cent in the past month. With £40m profits likely in 1992, the stock is fairly priced on a prospective p/e of 14, above the sector average but not out of line with the market as a whole.

Debt trading lifts Morgan Grenfell to £56m

By Richard Waters

A MOVE into trading the debt of lesser-developed countries helped pre-tax profits at Morgan Grenfell, the London-based merchant bank owned by Deutsche Bank, advance by 21 per cent last year to £56.5m.

This reversed the bank's profits decline in 1990, leaving it with a return on capital of about 15 per cent after transfers to general provisions.

The figure was struck before taking account of Morgan Grenfell's compensation payment to Argyll, the supermarkets group, arising out of its role in advising Guinness during the battle for control of Distillers in 1986.

The payment, believed to be £5m, was treated as an exceptional charge.

Morgan's improvement last year was due to a strong performance from its banking division, with all three areas – treasury, asset trading and project finance – performing well, said Mr Michael Dobson, group chief executive.

The bank moved into debt trading only at the tail end of 1990, and 1991 represented the first full year's contribution from this activity.

Last year it traded more than $22bn worth of debt, making it the fourth most active in the world, the bank said.

The bank's treasury division is also believed to have performed strongly.

Morgan said it had make only small specific provisions to cover bad debts during the year, although it refused to disclose the size.

It expanded the size of its loan book to take advantage of better lending margins, said Mr Dobson.

By contrast, Morgan's traditional corporate finance business remained in the doldrums, while fund management advanced on the back of stronger markets.

Pittard Garnar progress continues with £2.1m

PITTARD GARNAR, the leather company, continued its progress in the second half and reported pre-tax profits of £2.1m for the year to December 31.

This compared with losses of £5.75m last time and with profits of £1.04m at the interim stage.

Mr David Macdonald, chairman, said the advance had been achieved in a worsening market, and against this background the outcome could be regarded as reasonably creditable.

Turnover declined by 23 per cent, from £128.3m to £98m. The reduction in sales volumes reflected poor retail demand in the US and UK, coupled with the imposition by the company of tight credit controls.

Sales in the gloving division were maintained throughout the year, though margins were somewhat lower, he said. The clothing and chamois division had another extremely difficult year.

By contrast, the shoe and leather goods side showed a modest improvement.

After continuing losses at the Odell Wilson & Tilt tannery, the company decided to withdraw from this business, and £1.5m of this year's extraordinary charge of £1.8m represented a provision for the costs of this withdrawal.

However, Mr Macdonald added, borrowings had been reduced to £17.4m at the year end, cutting gearing by 12 percentage points to 55 per cent. The net interest charge fell from £4.79m to £2.2m.

Earnings per share came out at 6.4p (25.3p losses) and the company is returning to the dividend list with a proposed 1.5p final.

US offshoot wipes out profits at Kalamazoo

By Paul Cheeseright, Midlands Correspondent

KALAMAZOO, the computer services and printed systems group, saw half yearly pre-tax profits wiped out by losses at a US subsidiary, which has been sold.

But the company earned enough at the attributable level to pay shareholders a slightly increased interim dividend.

The group incurred a loss of £212,000 in the six months to January 31, against profits of £1.03m last time. But if discontinued activities are stripped out of the overall figures, there was a pre-tax profit of £860,000, slightly down on the £939,000 of the comparable period.

In January, the group disposed of Great American Software which, in the previous six months, incurred a pre-tax loss of £1.07m. The disposal resulted in an extraordinary gain of £720,000 which both covered the net loss for the half year and led to attributable profits of £224,000. From this £200,000 is being taken to fund an interim dividend of 0.525p (0.5p).

Mr Peter Harrop, chairman, noted that with the exception of a New Zealand company, which is for sale, the disposal of Great American Software signified the final unscrambling of an unsuccessful diversification programme undertaken by previous management. Henceforth, Kalamazoo would expand in Europe but only in its core business areas.

The group will next announce figures for the eight months to end-March 1992; it is changing its year end from July 31 to March 31.

Silent Tiny faces erosion of small holder support

By Roland Rudd

ALMOST TWO hours into Lonrho's annual meeting, a small shareholder demanded that Mr Roland "Tiny" Rowland open his mouth for the first time.

"Could Mr Rowland please stand up and tell us who are the other six other directors on the board who could also do the deals, in order to dispel the tycoon factor," he asked.

As Mr Rowland sat impassively, Mr René Leclézio, chairman, replied: "Mr Rowland does not talk, he acts."

While the answer received polite applause, it did little to calm the mood of agitated shareholders demanding to know why the price of their shares had collapsed.

Mr Rowland still had his supporters however.

One shareholder described him as "the jewel in Lonrho's crown" and urged her fellow shareholders to "trust Tiny".

Yet support from many of Lonrho's small shareholders was never really in doubt.

What yesterday's annual meeting suggested was that about half of Mr Rowland's once loyal band of small shareholders are no longer willing to simply "trust" their chief executive.

At the beginning of the meeting, a half-hour film was shown about Lonrho's "great successes" in Africa. The film concluded that on Lonrho's estates it had been a year worth celebrating.

However, a significant number of shareholders yesterday made it clear that there was not much to celebrate in London.

As one shareholder put it: "What a difference a year makes." He pointed out that Mr Rowland, in the 1990 Lonrho annual report, said the international trading group had a sound financial base.

A year later many of the British companies were making a loss.

"Are the Lonrho directors spending too much time on litigation instead of keeping their eye on their own ball?" asked the shareholder.

Another demanded to know why Lonrho's share price had been decimated. "After all," he added, "the City is not an ass, there must be an answer."

Mr Leclézio explained that all UK companies were having a difficult time; profits from Africa were not too high and the remittance of Lonrho's African profits was proving easier than in the past.

Another shareholder wanted to know whether the board would consider the appointment of independent non-executive shareholders.

Mr Leclézio said the group was not against the appointment of non-executive directors, but they would have to be the "right ones" who would "fit into the company".

In response to the mood of the AGM, Lonrho's shares, after originally rising on news of the sale of 33 per cent of Metropole Hotels to the Libyan Arab Foreign Investment company for £177m, declined by 8p to close the day at 95p.

At the end of the meeting, nearly all the shareholders present voted in favour of accepting the report and accounts.

But Mr Rowland was served notice by many of his shareholders, that if he wants to remain silent at next year's meeting, Lonrho will need an outstanding second half to give them better news when the year-end results are published in January 1993.

COMPANY NEWS: UK

Booker turns in marginal advance to £103.9m

By Maggie Urry

BOOKER, the food group which spans breeding to distribution, barely increased profits in 1991 and saw earnings per share drop 13.4 per cent as the recession and dilution from the acquisition of Fitch Lovell in 1990 had their effect.

Pre-tax profits were £103.9m (£102.9m) and earnings were 36.8p (41.9p).

However, Mr Jonathan Taylor, chief executive, said the year had seen the group become sharper and more focused and debt had been reduced. Booker is increasing its final dividend to 14.25p (14p) to give a total of 21.75p (21.25p).

Group sales were 12.4 per cent higher at £3.29bn and operating profits rose 2.6 per cent to £122.8m. Higher interest charges of £18.9m (£16.8m) reflected the extra debt from the Fitch purchase.

The tax rate rose to 23.5 per cent (22.1 per cent). Extraordinary gains of £2m (£28.7m) were mainly profits less losses on disposals and closures.

Pre-tax profits from food distribution were 17.5 per cent higher at £57.8m, on sales 12.1 per cent ahead at £2.61bn, helped by Fitch.

Jonathan Taylor: group is sharper and more focused

Bad debt provisions had trebled to £4.5m.

Agribusiness profits fell 10 per cent to £21.6m but the fish and prepared foods side grew from £6.9m to £17.1m.

Profits from health products fell from £7.5m to £6.8m, while other activities lost £2.8m (profit £8.7m) mainly because it includes a £9m increase in the central interest charge.

Disposals raised £64.7m and a further £20m is expected from the sale of P Leiner, the US health products business. Net debt was cut from £199.3m to £138.2m, gearing of 76 per cent.

● **COMMENT**

There is no denying that Booker is a much tighter company than it was 10 years ago when its divisional list included shipping, engineering and rum. And what it has left ought to provide good growth opportunities. But Booker has often promised more than it has delivered, and niggling problems, like turkeys, salmon and mushrooms, keep appearing. Profit forecasts for the current year are about where they started last year before repeated downgradings. On a forecast of £115m the prospective p/e is under 11 and the yield with a maintained dividend is 6.7 per cent. The rating is cautious.

Appleyard tumbles to £1.81m

By Peggy Hollinger

APPLEYARD GROUP, the motor distributor, dipped into reserves to pay a maintained and uncovered dividend despite a 70 per cent tumble to £1.81m in pre-tax profits for 1991.

Mr Paul Chambers, finance director, said the group had held the 5.2p final – which maintains the total at 7.8p – in light of the "medium term prospects for the industry and the company . . . Everything is in good shape, the only thing we are lacking is volume."

However, trading continued to be difficult with any benefits from changes in car tax still some way off. "People are waiting until the election is out of the way," he said.

The group suffered an unusually severe second half, recording profits of just £294,000 in the second six months. Ian Skelly, the Audi/VW dealer purchased in 1989, had suffered supply problems, and sharply lower sales. Skelly broke even in the year, said Mr Chambers.

Group turnover fell 18 per cent to £390m. A net exceptional gain of £1.1m eased the decline in operating profits which fell from £11.4m to £5.8m.

Mr Chambers said the group had taken action to cut costs and had managed to maintain car margins.

Sales of new cars had fallen by about 21 per cent and of used cars by 12 per cent. Commercial vehicle sales declined by 30 per cent.

Appleyard sold its remaining two Ford franchises for £2m, a book loss of £300,000. The remaining 41 dealerships were all in good shape, he said.

The group had also taken its first steps towards multi-franchising by moving one of its new Nissan dealerships to a Skelly site. This would help to recover some of the fixed costs of the large site, despite the downturn in sales.

Net debt was reduced from £16m to £14m, although gearing remained unchanged at 46 per cent.

Earnings per share fell from 8.7p to 2.5p.

Acquisitions help boost Jeyes to over £4m

By Peter Pearse

HELPED BY acquisitions, Jeyes Group, the Norfolk-based manufacturer of cleaning and hygiene products, lifted pre-tax profits by 17 per cent, from £3.56m to £4.18m, in the 12 months to December 28 1991.

At the same time, the group announced the acquisition of the Quickies and All Fresh brands from SmithKline Beecham, the international pharmaceuticals company.

Both are brands of moist wipes, one of Jeyes' core product categories.

The consideration is a minimum £1.5m cash, together with £100,000 for the manufacturing equipment and stock.

Of the purchase price, £250,000 is deferred until January 1993 and further consideration of up to £200,000 will become payable dependent on sales performance.

In 1991 Jeyes' UK consumer business achieved an [illegible] per cent growth rate in sales "despite difficult market conditions".

There was, however, a 6 per cent increase in exports, with the launch into Japan and the Middle East contributing to the growth in the division.

Group turnover and operating profits both improved 19 per cent – to £61.8m (£51m) and £4.93m (£4.14m) respectively.

Crowner Products, which makes cleaning and hygiene products for the industrial market, was acquired in February 1991, and Sweden-based Rufus Forpackings, which makes impregnated wipes, was bought in November.

Net interest took more [illegible] £745,000 (£579,000).

The directors recommend raising the final dividend [illegible] 3.8p (3.2p) for a total of 6.4 (5.4p), payable from earnings of 19.6p (16.3p) per share.

NEWS DIGEST

Beauford drops £2m into the red

BEAUFORD, a designer and manufacturer of materials handling equipment and machine tools, saw a sharp downturn in its fortunes in 1991 with pre-tax profits of £4.54m being turned into a £2.1m loss.

Sir Trevor Holdsworth, chairman, said that recessionary trading conditions experienced in the first half of 1991 deepened for the remainder of the year, adversely affecting every part of the engineering and ceramics businesses.

While there were no signs that the overall market conditions were changing for the better, Sir Trevor said that the company had seen some improvement in the order intake.

Turnover was 18 per cent down at £50.7m (£61.5m); an operating profit of £1.53m compared with £6.55m in the previous year.

Losses per share were 24.2p, against earnings of 17.1p. The final dividend is passed making 1.85p for the year – the 1990 total was 6.07p.

Burford advances 30% to £3.45m

Burford Holdings, the property and publishing group, lifted pre-tax profits by 30 per cent, from £2.65m to £3.45m, in 1991.

Mr Nigel Wray, chairman, said the success of the property acquisition programme had resulted in a 5 per cent increase to 52.5p in net asset value per share.

The property side contributed £3.18m (£2.33m) but publishing profits fell from £637,000 to £493,000. Holding company losses were reduced to £223,000 (£319,000).

Turnover improved to £9.84m (£8.99m). Earnings per share rose from 1.5p to 1.8p and the dividend is lifted to 0.95p (0.85p) with a proposed final of 0.5p.

Sharp decline at Bostrom

Bostrom, the vehicle seating and specialist engineering group, saw pre-tax profits for 1991 dive from £3.05m to £830,000 on turnover down from £35.2m to £33.3m.

Directors said that for the second successive year many of the markets served by its three divisions, KAB Seating, KAB Pressings and Specialist Engineering, contracted.

Hardest hit by the recession has been specialist engineering where the majority of work is sub-contracted from larger manufacturers, primarily around the Midlands.

The total dividend is maintained at 6p with a proposed final of 3.5p. Earnings per share were 6.4p against 24.8p.

Seafield Resources achieves £136,000

Seafield Resources, the oil and gas exploration company which obtained a USM quote in December, reported net profits of £136,000 for the 15 months to December 31.

For the year to September 30 1990 there were losses of £8,000. Earnings per share amounted to 0.6p (0.1p losses).

The company said that the exploration portfolio was enhanced by the addition of interests in five UK 12th round licences plus acreage offshore in Australia and Tunisia.

In August the acquisition of a 5 per cent stake in the Victor gas field was completed and the group's share of production provided cash flow and tax shelter for its activities.

Turnover was £5.41m (£1,000) and the pre-tax result £256,000 (£38,000).

Lower oil prices hit Monument Oil

Monument Oil and Gas, the independent UK oil and gas exploration company, announced a drop in net profits to £6.5m for the year to December 31 against £8.8m in 1990. Earnings per share slipped from 1.52p to 0.99p.

Lower oil prices had affected the result, which at the pre-tax level fell to £6.24m (£8.2m).

Mr Tony Craven-Walker, chief executive, said that the company had enjoyed considerable exploration success, increasing oil reserves last year by 50 per cent to some 120m barrels.

The company said it would continue its policy of not paying a dividend in order to conserve capital to invest in its substantial oil and gas fields.

Turnover was £38.6m (£33.4m).

Exceptionals and interest hit Plasmec

Exceptional costs and higher interest charges resulted in reduced profits at Plasmec, the USM-quoted telecommunications and switching products group, in 1991.

Although operating profits improved to £641,418 (£554,979), exceptional charges of £145,490 for stock write-downs, bad debts and redundancies, and interest payable of £316,106 (£264,678) left the pre-tax line 43 per cent lower at £179,822 (£317,575).

Turnover rose some 7 per cent to £12.1m.

Earnings were halved to 2.5p, and a final dividend of 1.5p makes 2.5p (3.6p).

Wolstenholme Rink hit by bad debts

Bad debts in its printing industry supply side left pre-tax profits at Wolstenholme Rink 17 per cent lower at £2.32m, against £2.81m.

The bad debt charge increased from £256,000 to £847,000.

Turnover for 1991 increased to £53.4m (£42.5m) mainly resulting from the acquisition of PS&E in November 1990. The Lancashire-based company, which also makes metal powders, said that the economic climate was making business difficult but it expected to make progress this year.

Earnings per share were 20.5p (30.4p) but a maintained final dividend of 10p is proposed for an unchanged total of 16.3p.

Gearing increased from 43 per cent to 50 per cent at the year end resulting from the purchase of PCO towards the end of the year.

Resilient Gleeson steady at £5m

MJ Gleeson Group, the Surrey-based housebuilding, construction and property company, staged a resilient performance amid difficult trading conditions in the six months to December 31.

Pre-tax profits amounted to £5.03m (£5.05m). Turnover, as anticipated, dipped 16 per cent to £87.6m (£104m).

Rental income improved to £1.98m (£1.69m).

Earnings per share edged ahead to 32.64p (32.28p); the interim dividend goes up from 3.12p to 3.35p.

Futura requests share suspension

Directors of Futura Holdings yesterday requested a temporary suspension of dealings in the footwear company's shares pending clarification of the financial position.

This followed the recent fall in the share price, which closed at 34p on Wednesday and was suspended at 15p yesterday.

The company incurred a pre-tax loss of £601,000 for 1990 and a further deficit of £940,000 in the first half of 1991.

MIM to build zinc smelter in Japan

By Kevin Brown in Sydney

MIM, THE Australian mining and metals group, yesterday said it had completed a joint venture deal to build a Y50bn (£216m) zinc and lead smelter in Japan with three of its biggest Japanese customers.

MIM said it would own 30 per cent of the smelter, to be built at Hachinohe, in the Aomori prefecture. Nippon Mining will own 48.5 per cent, Mitsui Mining and Smelting 18.5 per cent and Mitsubishi Materials 3 per cent.

The smelter is MIM's first large investment in East Asia, where it forecasts long-term growth for zinc products. The plant will be operated by Hachinohe Smelting, which is part-owned by Nippon and Mitsui.

Mr Norm Fussell, MIM managing director, said the joint venture would strengthen the group's relationship with the three Japanese companies, which are significant purchasers of zinc concentrate from its Australian mines.

"Japan is the region's biggest single zinc market, and other markets can be supplied conveniently from there. Increasing demand for differentiated zinc products can be more effectively met from a plant located close to the customers," Mr Fussell said.

The Hachinohe plant will have an annual production capacity of 120,000 tonnes of zinc and 60,000 tonnes of lead. It will smelt metal for the joint venture partners in proportion to their shareholdings.

The plant will use the energy-efficient Imperial Smelting Process, which is capable of treating most feedstocks, including low-grade and bulk concentrates and recycled material. Hachinohe Smelting, which operates a similar smelter on the same site, is regarded as a highly efficient producer.

MIM has been discussing the smelter project with the Japanese companies for some time as part of its strategy of focussing on the major zinc consuming regions of North America, Europe and East Asia.

Asian demand for zinc has been sluggish in the last year as a result of recessions in the region's export markets in North America and Europe.

However, the joint venture partners said they were confident that demand would recover in the medium to long term in response to growth in eastern Europe, the former Soviet Union and China.

They said there were also signs that a shortage of smelting capacity was emerging as production from new mines increased. The smelter is expected to begin production in late 1994.

MIM has significant interests in the downstream zinc business in Europe through shareholdings in a number of German companies, including Duisburg, a zinc smelter, and Hutten-werke Tempelhof Verwaltungs, a zinc alloy producer. It also owns 22.5 per cent of Cominco, the Canadian producer, which accounts for 10 per cent of world zinc production, including the huge Red Dog mine in Alaska and the world's largest zinc refinery in British Columbia.

In Australia, MIM produces copper, lead, silver and zinc from its Mount Isa and Hilton mines in Queensland. It also operates several coal mines, and has a major interest in the Porgera gold mine in Papua New Guinea.

MIM blamed low prices and coal production problems for a 76 per cent fall in interim net operating profits to A$16m in the six months to December.

The group says it is on target to achieve a reduction of A$100m a year in operating costs at Mount Isa, where the workforce has been reduced by 700 to 4,360 over the past year.

Jewellers use 2% more gold

By Kenneth Gooding, Mining Correspondent

GOLD JEWELLERY demand last year in the six key markets rose by 2 per cent to a record 602.1 tonnes, according to preliminary estimates by the World Gold Council, the promotional organisation supported by gold producers world-wide.

This was in spite of a slight fall, by 1 per cent to 219 tonnes, in the US, the largest individual market. Also recession in the UK caused a 17 per cent drop, to 40.1 tonnes, there.

The council says it is possible the US total might have been 15 tonnes higher but 219 tonnes "remains the best figure at present." It suggests an 8 per cent rise in Italy, to 130 tonnes, "is an indicator of the strength in demand world-wide since exports to a great number of countries account for about two-thirds of Italian gold jewellery fabrication."

Japan, the second largest market, took 5 per cent more gold jewellery last year or 126.6 tonnes; France saw a 3 per cent increase to 40.4 tonnes; and the biggest increase was in newly-unified Germany: 12 per cent to 46 tonnes.

The council's statistics are estimates of the fine gold content of jewellery purchases by retailers. It says its research corrects the impression – caused by "the well-publicised difficulties of Ratners in the UK and Zale in the US" – that gold jewellery sales were down last year.

Uzbeks see oil gusher as answer to their prayers

Leyla Boulton on a blowout that could herald self-sufficiency for the former Soviet republic

WHEN OIL began gushing out of the ground the day Uzbekistan joined the United Nations, inhabitants of the newly independent state saw it as a gift from God

After flowing for almost a month, the awesome oil blowout is now spilling out about 15,000 tonnes of light crude a day. Experts at the site in Uzbekistan's impoverished Fergana Valley say it is still too early to estimate the size of the reserves below. But this Moslem nation of 20m people is already praying it will become a self-sufficient oil producer after decades of depending on neighbouring Russia, which first conquered Uzbek territory in the middle of the 19th century.

"This is a major discovery for Uzbekistan," declared a delighted Mr Anwar Narmatov, director of Uzbekneft, the republic's state-owned oil company.

But like his colleagues at a crisis centre set up less than a kilometre away from the sky-high fountain of oil and white smoke, he says that more drilling around the area is necessary to determine whether this discovery represents a freak occurrence or holds the promise of an oil bonanza.

The unexpected find of "black gold" could not have come at a better time as the most populous of the former Soviet Union's central Asian republics struggles to find its feet as an independent country.

Even the name of the collective farming area where the oil discovery was made on March 2 – Mingbulak, meaning "One Thousand Sources" – seems to support suggestions of divine planning. The oil was struck after Uzbekneft drove down to 5,200 metres – it had not expected to hit oil for another 600 metres.

Experts have now decided that a necessary preliminary to tackling the blowout is to set fire to it within the coming week. Mr Efim Katznelson, Uzbekistan's expert at capping oil blowouts, says: "Working under fire" is the only way to build new valves and pipelines to channel the oil in an orderly manner.

The fire is also expected to burn the oil that has flooded surrounding farmland. If the oil is not brought under control quickly, it could not only damage large quantities of cotton farmland on the eve of the sowing campaign but pollute the neighbouring Syr Daria, which irritates crops for miles around.

"We can't do anything now with all the smoke and oil everywhere," he said, his protective clothing spattered with oil droplets. He expects to produce a flame 100 metres high, after simulating a test operation.

The blowout has already produced some 350,000 tonnes of oil. Some of it has been collected and dispatched to the republic's two refineries. But an army of battered trucks, assembled from all over Uzbekistan are clearly unable to cope with so much wealth all at once.

Mr Joe Bowden, the Texan oil man whose Wild Well Control company is helping the Uzbeks along with experts from Russia, says it will take 15 days to cap the oil flow.

Mr Katznelson says the last crisis of this kind in the former Soviet Union occurred six years ago, when a blowout at the Tenghiz oilfields in nearby Kazakstan took a year to cap.

A decree issued by President Islam Karimov orders Uzbekistan's economic experts to draw up plans to attract foreign capital to help develop reserves.

Mr Rustam Azimov, chairman of Uzbekistan's Natinal Bank for Foreign Economic Activity said that existing joint venture legislation already exempted foreign investors from taxation for the first two years from the date profits were declared. They are entitled to a 50 per cent reduction for the following three years and there are no restrictions on repatriating profits in hard currency.

As a major producer of gold and cotton, Uzbekistan is already keen for foreign investors to help it process more of its wealth internally rather than export raw materials. Oil could provide a major boost to the republic's balance of payments.

Drought hits tea plantations

TEA PLANTATIONS in India and Sri Lanka, the two largest producers, are affected by drought and neither country is likely to meet its output targets for 1992, officials say, Reuter reports from New Delhi.

In Sri Lanka, the world's main tea exporter, production has dropped by 16.2m kg, or about 6 per cent of its total output for 1991, in the first three months of this year, officials said. "From favourable conditions enjoyed in 1991, the pendulum seems to have swung completely in the opposite direction," said Mr Maxwell Fernando of tea auctioneers Forbes and Walker.

"We have suddenly reached a doom situation from the boom conditions last year," Mr Fernando said.

Drought also prevails in the plantations of south India, which account for about 40 per cent of the country's output.

Production in January and February was down by about 6m kg to 20.7m kg, according to the United Planters Association of Southern India.

The shortfall has affected factories and slowed down picking, the association said.

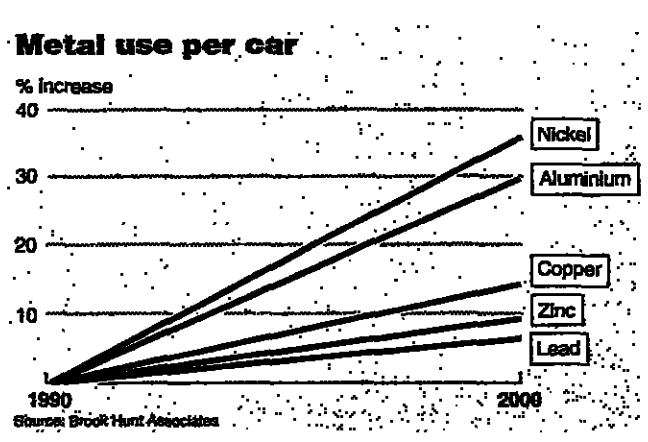
But government officials in New Delhi were confident that there would not be much of a shortfall against India's output target of 765m kg for the year, up from last year's record 741m kg, about half the world's tea.

"It's too early to make any prognosis," said Mr G. Sundaram, a top official in India's Commerce Ministry, which follows tea production figures. "The projection will be more realistic after a period of six months."

Car manufacturers forecast to use 40 per cent more aluminium

By Kenneth Gooding

Metal use per car



Source: Brook Hunt Associates

ALUMINIUM WILL benefit most among the traded metals from developments in car design in the next decade. Nickel will also make big percentage gains from a very low base. But the outlook for copper and zinc is not so positive, suggests the Brook Hunt & Associates consultancy group.

It says in a report published today that more than 1m tonnes of aluminium a year will be consumed by new cars and automotive spare parts by 1997-98, a 40 per cent increase from present levels. Some of the gain will be from an increase in car output but Brook Hunt says the average car is likely to contain 30 per cent more aluminium.

In percentage terms, the greatest growth in use will be in aluminium body parts, which are forecast to consume more than 100,000 tonnes a year by the end of the decade against 12,000 tonnes in 1990. More significant uses for aluminium in tonnage terms will remain transmission casings, cylinder heads and alloy wheels.

However, the report says European car makers are not likely to make a substantial switch to aluminium for engine blocks to save weight, given the generally small size of European car engines.

Car producers are being driven to make changes by a renewed emphasis on weight saving, tougher exhaust emission standards and the development of new materials, the report points out.

Nickel's main use in cars so far has been as an alloying addition to steel employed in drivetrain applications such as gears. Future use will continue to be in these steel alloys, particularly in stainless steel exhaust systems and in high nickel alloy required for turbochargers, says Brook Hunt. Although nickel use is forecast to increase by nearly 40 per cent by the middle of the 1990s, it is starting from a low base of just over 1 kg a car.

Copper already has suffered from the substitution of aluminium, in radiators for example. Copper's use in wiring may fall because of the introduction of multiplexing (in which many components are powered through a single conductor), although no big changes are foreseen until the second half of the decade. In the meantime, says the report, more electrically operated components and electronic engine management systems in high-volume cars should ensure that the amount of copper per car will continue to increase.

Brook Hunt says growth in the car industry's consumption of zinc depends on an increase in the use of galvanised steel sheet. The report estimates that about 35 per cent of steel sheet used in car manufacturing in 1990 was galvanised on at least one side. This proportion is forecast to rise to 48 per cent by 2000. Over the same period the use of zinc per car for galvanising is predicted to grow by 65 per cent. This gain will, however, be offset to some extent by losses elsewhere – particularly by the widespread introduction of fuel injection systems using aluminium instead of die-cast carburettors made largely from zinc.

Metals Use in the West European Auto Industry: $4,000 from Brook Hunt, 11, London Street, Chertsey, Surrey KT16 8AP, England.

Collor confirms Brazil to back coffee quotas

BRAZIL'S PRESIDENT Fernando Collor de Mello said yesterday that his country supported talks on a new international coffee agreement with economic clauses and export quotas, reports Reuter from Brasilia.

Asked during a breakfast with foreign correspondents in Brasilia whether Brazil supported a new coffee pact with economic clauses and quotas, he replied:

"Yes, with quotas. But the details of the economic clauses will be discussed in the London meeting."

Brazil, the world's leading coffee producer, will meet other world producers and consumers for talks at the International Coffee Organisation in London early next month.

Collor's remarks are the first official confirmation that Brazil will back talks on a pact with export quotas.

Peruvian mine to be privatised

By Sally Bowen in Lima

THE CONDESTABLE mine, which produces about 4,000 tonnes of fine copper concentrate a year, is to be Peru's first wholly state-owned mining concern to be sold off to the private sector. Mineroperu's 100 per cent holding will be offered on the Lima stock exchange between 27 April and 8 May.

Condestable has been in state hands since 1976 when its previous Japanese owners (Nippon Mining, Mitsui and Hidemasa Kubo Fukomara), decided it was no longer worth exploiting.

Since then, however, it has become one of the Peruvian state's few mining success stories – at least in relative terms – having turned in profits almost every year.

According to Mr Luis Palacios, Condestable's general manager, the mine – one third open pit and two-thirds underground – has above average productivity despite its relatively low grade ore. The concentrator plant has capacity to treat 1,200 tonnes of ore a day and it has its own electricity generating plant. Before the privatisation announcement, the company had planned to be producing copper cathodes by 1993.

Another attraction of the mine is its location only 90 km (56 miles) from the capital, Lima, and 5 km from the Panamerican Highway. Production last year totalled 3,952 tonnes of copper concentrate, bringing in revenue of around $6.3m. The company has been selling all its output recently to Brainco, the Peruvian branch of Brandeis.

The cash-strapped Peruvian mining industry received a small boost with this week's announcement that the Andean Development Corporation (CAF) will provide a $20m credit line for the sector. Bladex, the Latin American Export Bank is to come up with a further $30m, mostly for mining companies, according to local sources.

The Peruvian government has requested a further $200m from CAF to establish a special fund to refinance short-term company debts. Much of this would be directed to the mining sector. The credit request is due for discussion at the next CAF board meeting.

● A call for Cipec, the copper exporters' group, to be disbanded was made at its meeting in Paris yesterday by Chile's mining minister, who cited dwindling membership and lack of income.

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC was the outstanding performer on the LME, although all other base metals moved ahead yesterday. Three-month zinc rose $32 at one stage to a $14\frac{1}{2}$-month high of $1,265 a tonne. Traders said they could see no fundamental reason for the rise, and expect hedge selling to be attracted by the higher levels. However, charts were constructive, with recent consolidation above $1,230 signalling a rise to around $1,260. European Zinc Institute data showed February world smelters stocks down 17,300 tonnes, but this reflected shipments to LME warehouses and not into consumption, traders said. LME stocks rose around 35,000 tonnes in February. London **COFFEE** closed lower despite a statement from Brazil's president supporting talks on a new international agreement with economic clauses and export quotas. New York **COTTON** futures remained higher at midday on buying inspired by bullish fundamentals and technical factors. US cotton consumption for February (9.73m bales) marks the highest consumption for that month in 25 years, the National Cotton Council of America said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.10-6.20z	+ 125
Brent Blend (dated)	$17.90-8.00	+ 175
Brent Blend (May)	$18 00-8.05	+0.10
W.T.I. (1 pm est)	$19.30-9 35z	+0.05

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$197-199	+1.5
Gas Oil	$164-165	+1
Heavy Fuel Oil	$74-76	+1 5
Naphtha	$167-169	+1

Petroleum Argus Estimates.

Other		+ or -
Gold (per troy oz)♣	$340 70	-0 80
Silver (per troy oz)♣	411.0c	-1
Platinum (per troy oz)	$351.75	-1.75
Palladium (per troy oz)	$85.05	+0.40
Copper (US Producer)	105 48	-0.11
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.20r	
Tin (New York)	265.5	+3
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.30p	+1.84*
Sheep (live weight)†♠	93 52p	-7.68*
Pigs (live weight)†	100.29p	-0.59*
London daily sugar (raw)	$210 5v	-1 4
London daily sugar (white)	$270.5v	-2
Tate and Lyle export price	£229.5	-1
Barley (English feed)	£109 5t	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq.	
Rubber (May)♥	54.75p	
Rubber (Jun)♥	55.00p	
Rubber (KL RSS No 1 Mar)	218.5	
Coconut oil (Philippines)§	$652.5v	+7.5
Palm Oil (Malaysian)§	$402.5z	+2.5
Copra (Philippines)§	$435.0w	
Soyabeans (US)	£155.0q	
Cotton "A" index	55.90	+0 40
Wooltops (64s Super)	444p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. q-Mar t-Aug u-Jan/Mar v-Apr/Mar y-Apr/May w-Apr z-May. †Meat Commission average fatstock prices. * change from a week ago ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	184.00	185.80	185.00 183.60
Aug	186.20	187.80	187.60 187.20
Oct	187.00	188.20	188.00 187.60
White	**Close**	**Previous**	**High/Low**
May	266 50	267.90	267.90 266 00
Aug	266.80	268.00	267.90 265.50
Oct	258 80	259.70	258 80 258.00
Dec	260.20	261.20	259.40

Turnover: Raw 128 (69) lots of 50 tonnes. White 404 (906)
Paris- White (FFr per tonne): May 1515.66 Aug 1536.49

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
May	18.01	17.91	18.06 17.96
Jun	18.06	17.97	18 11 18 02
Jul	17 99	17.92	18.04 17.97
Aug	17.96	17 89	18.00 17.96
Sep	17.94	17.92	17.99 17.94
Dec	17.95	17.86	17.99 17.95
Jan	17.99		
IPE Index	17 88	17.81	

Turnover 16000 (13818)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Apr	162.25	161.50	162.50 161.75
May	163.75	163.00	164.00 163.25
Jun	164.75	164 25	165.25 164.50
Jul	166 75	166.00	168 75 166.25
Aug	168 50	167.50	168 50 168.00
Sep	170 00	169.00	170 50 169 50
Oct	172.25	172.00	172.50 171.50
Nov	173.75	173.75	174.50 174.00
Dec	175.00	175.25	175.25 175.00

Turnover 8038 (7644) lots of 100 tonnes

FRUIT & VEGETABLES
Spanis strawberries are this weeks best buy reports the FFVIB, prices range from 55-85p a ½ lb. Other good buys include Cape black seeded grapes 75-85p a lb. Jaffa oranges 12-30p each, bananas 48-60p a lb. Cape Golden Delicious apples 65-75p, Kiwifruit 12-20p each, and Jaffa and Cyprus white fleshed grapefruit at 20-25 each. New season English cauliflowers are this week's best vegetable buy at 55-60p a head. Egyptian potatoes are 20-35p a lb, and English carrots at 15-20p a lb,Large Spanish iceberg lettuce are this weeks best salad buy at 55-70p each, other good buys include English radishes at 30-45p a bunch.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	668	673	677 663
Jul	694	705	704 692
Sep	719	729	729 715
Dec	753	761	760 750
Mar	785	795	795 781
May	806	815	810 807
Sep	844	854	845 844
Dec	873	881	872 871

Turnover: 3398 (9684) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar.25 834.14 (846.16) 10 day average for Mar.25 832.96 (832.49)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Mar	845	860	843 841
May	859	873	858 846
Jul	870	879	869 855
Sep	886	890	882 867
Nov	902	906	900 883
Jan	920	928	915 907

Turnover:11795 (4487) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Mar.24: Comp. daily 56.73 (58.22) 15 day average 58.85 (58.78)
Sterling close: March £495

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	111.5	113.5	112.5 110.0
May	122.9	127.5	126.0 122.8
Apr	124.5	125.9	125.0 123 0

Turnover 344 (68) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	124.50	125.30	124 50
Aug	126.50		126.50

Turnover 30 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Mar	1207	1212	1210 1203
Apr	1254	1258	1255 1237
May	1252	1251	1255 1234
Jul	1110	1110	1110 1090
Oct	1250	1251	1250 1245
BFI	1204	1211	1204

Turnover 235 (253)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	125.70	126.05	126.55 125.70
Jun	127.25	127.45	128.00 127.25
Sep	113.40		113.40 113.35
Nov	116.55		116.55 116.40
Jan	120 35	120.10	120.35 120.20
Mar	123 45		123.50 123.45
Barley	**Close**	**Previous**	**High/Low**
May	116.75		116.75
Sep	109.70	109.25	109.70 109.50

Turnover: Wheat 162 (121). Barley 10 (5).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	124 0		123.5 123.0
Apr	125.0	125 5	125.0 124.8
May	123.3	123.5	123.1 122.8
Jun	119.0	119.2	119.0 118 9
Jul	113.5	113.5	113 0
Aug	109.0	109.5	109.0 108.5
Sep	110.0	111.0	110.0 109.8
Oct	110.0	112.0	110.0 109 8
Nov	111.0	111.0	110.5 110.0

Turnover 98 (132) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,902 lots
Cash	1284.5-85.5	1280-1	1246.5	1281-82		
3 months	1310-10.5	1306-6.5	1313/1298	1306-6.5	1311-12	175,197 lots
Copper, Grade A (£ per tonne)						Total daily turnover 11,363 lots
Cash	1287-88	1282-4	1284/1283.5	1284-4 5		
3 months	1314-15	1310-0.5	1317/1313.25	1311-11.5	1316-17	110,492 lots
Lead (£ per tonne)						Total daily turnover 2,112 lots
Cash	304-05	300-1		304.75-5.00		
3 months	314.5-5.0	311-2	315/314	314.75-5.00	314.5-15	16,190 lots
Nickel ($ per tonne)						Total daily turnover 6,577 lots
Cash	7300-10	7255-65	7290	7290-93		
3 months	7390-95	7345-50	7415/7375	7375-80	7405-10	23,758 lots
Tin ($ per tonne)						Total daily turnover 1,444 lots
Cash	5690-700	5645-55		5700-10		
3 months	5710-15	5670-80	5750/5670	5700-10	5720-25	5,659 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,617 lots
Cash	1254-56	1222-3		1246-6.5		
3 months	1263-64	1233-4	1265/1233	1256-57	1258-60	51,796 lots

LME Closing £/$ rate:
SPOT: 1.7225 3 months: 1.6961 6 months: 1.6732 9 months: 1.6517

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	340.50-340.90	
Opening	340.70-341.10	
Morning fix	340.75	197.148
Afternoon fix	340.40	196.911
Day's high	341.00-341.30	
Day's low	340.30-340.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.51	6 months	3.65
2 months	3.49	12 months	3.78
3 months	3.50		

Silver fix	p/fine oz	US cts equiv
Spot	236 40	409.00
3 months	242.75	413.00
6 months	249.20	418.00
12 months	261.70	428.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	340.50-341 50	197 00-197.50
Maple leaf	351.00-362.00	203.00-209.50
New Sovereign	83.00-84.00	48.00-48.50

TRADED OPTIONS

Coffee	May	Jul	May	Jul
800	61	83	2	13
850	23	50	4	30
900	5	29	46	59
Cocoa	**May**	**Jul**	**May**	**Jul**
700	5	28	37	34
725	2	19	59	50
750	1	13	83	69
Brent Crude	**May**	**Jun**	**May**	**Jun**
1800	29	57	27	50
1850		40		
1900		25		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	341.0	341.1	0	0
Apr	341.1	341 3	341.6	340.5
May	342.0	342.2	0	0
Jun	343.0	343.2	343.5	342.4
Aug	345.2	345.5	345.5	345.0
Oct	347.5	347 8	348.0	347.0
Dec	350.0	350.3	350.4	349.8
Feb	352.8	352 9	353.0	352.2
Apr	355.2	355.5	356.0	355.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	350.6	350.6	0	0
Apr	352.0	352.8	353.5	351.0
Jul	351.5	352.8	353.0	351.2
Oct	356.0	357.5	358.0	357.0
Jan	356.5	367.6	0	0
Apr	361.0	362.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	408.9	408.4	410.5	409.0
Apr	409.2	408.8	0	0
May	410 5	410.2	412.5	409.0
Jul	413.8	413.5	416 5	412.5
Sep	417.6	417.3	0	0
Dec	423.4	423.1	424.0	423.0
Jan	425.3	425.0	0	0
Mar	429.7	429.4	0	0
May	434.3	434.0	0	0
Jul	439.0	438.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	101.45	101.20	101.75	101.10
Apr	101.40	101.15	101.60	101.25
May	101.30	101.05	101.60	100.80
Jun	101.15	100.90	0	0
Jul	100 95	100.70	101.20	100.55
Aug	100.85	100.60	0	0
Sep	100.70	100.40	100.90	100.40
Oct	100.55	100.25	0	0
Nov	100.45	100.15	0	0
Dec	100.35	100.05	100.60	99.95

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.25	8.32	8.35	8.22
Jul	8 31	8.36	8.39	8.27
Oct	8.38	8.46	8.47	8.37
Mar	8.56	8.61	8.62	8.53
May	8.59	8.63	8 62	8.82
Jul	8.67	8.71	8.71	8.71

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	19.27	19.19	19.33	19.25
Jun	19.41	19.33	19.46	19.38
Jul	19.47	19.39	19.52	19.45
Aug	19.47	19.41	19.51	19.47
Sep	19.45	19.39	19.49	19.45
Oct	19.43	19.38	19.47	19.42
Nov	19.40	19.37	19.46	19.40
Dec	19.38	19.36	19.49	19.38
Jan	19.38	19.31	0	0
Feb	19.28	19.26	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5290	5279	5325	5270
May	5260	5237	5300	5230
Jun	5240	5215	5285	5225
Jul	5280	5244	5300	5265
Aug	5360	5320	5375	5350
Sep	5480	5440	5500	5475
Oct	5600	5545	5600	5580
Nov	5700	5640	5700	5680
Dec	5780	5735	5795	5780
Jan	5810	5765	5820	5810

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1036	1059	1062	1036
Jul	1073	1096	1097	1073
Sep	1110	1134	1124	1110
Dec	1160	1174	1164	1150
Mar	1195	1218	1203	1193
May	1226	1244	1228	1226
Jul	1254	1273	1256	1254
Sep	1279	1303	1283	1276
Dec	1310	1336	1311	1310

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	70.75	70.85	71.50	70.30
Jul	72.95	72.65	73.45	72.40
Sep	75.20	75.30	76.00	74.80
Dec	78.45	78.75	79.00	78.00
Mar	82.00	82.00	0	0
May	85.25	85.75	0	0
Jul	87.00	87.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	57.94	56.97	58.00	57.85
Jul	59.35	58.52	59.55	58.75
Oct	60.62	60.08	61.10	60.35
Dec	61.20	60.75	61.25	60.70
Mar	62.40	62.18	62.43	62.40
May	63.10	62.60	63.00	62.95
Jul	63.30	63.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	142.80	143.80	144.40	142.70
Jul	141.15	141.65	142.60	141.10
Sep	132.55	133.25	134.00	132.25
Nov	123.80	124.75	125.70	123.80
Jan	123.00	123 85	123.90	123.00
Mar	122.50	123.30	123.75	123.00
May	122.50	123.30	0	0
Jul	122.50	123.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar.26	Mar.25	mnth ago	yr ago
1607.6	1616.1	1607.5	1732.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.25	Mar.24	mnth ago	yr ago
Spot	117.51	117.91	118.80	123.54
Futures	121.49	121.63	121.52	127.90

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	586/0	588/4	589/0	584/6
Jul	595/6	597/2	598/2	593/4
Aug	600/0	601/0	602/4	598/4
Sep	603/6	606/0	606/0	602/4
Nov	611/6	613/0	614/0	609/4
Jan	621/0	620/6	622/0	618/4
Mar	629/0	631/4	630/4	627/0
May	636/0	637/0	637/0	634/0
Jul	642/0	642/4	642/0	642/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.74	19.87	19.87	19.63
Jul	20.03	20.16	20.16	19.93
Aug	20.18	20.30	20.31	20.10
Sep	20.31	20.44	20.46	20.28
Oct	20.45	20.57	20.60	20.42
Dec	20.76	20.91	20.90	20.70
Jan	20.85	21.02	20.96	20.85
Mar	21.10	21.25	0	0
May	21.30	21.50	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	181.2	178.8	179.5	178.4
Aug	182.3	181.1	182.1	180.7
Sep	183.5	182.5	183.1	182.0
Oct	197.5	183.8	184.3	183.2
Dec	199.2	197.3	198.0	197.4
Jan	199.7	199.5	200.0	198.8
Mar	201.5	199.5	200.0	199.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	271/4	270/2	271/6	268/6
Jul	276/6	276/0	277/0	274/0
Sep	270/0	269/6	270/0	268/0
Dec	268/2	265/6	268/4	264/2
Mar	273/2	272/6	273/2	271/2
May	277/0	276/4	277/0	275/2
Jul	280/0	279/6	280/0	278/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	386/2	384/0	397/4	[illegible]
Jul	363/4	367/2	369/0	[illegible]
Sep	367/0	371/6	372/6	[illegible]
Dec	375/0	379/6	381/0	[illegible]
Mar	376/0	381/6	381/4	[illegible]
May	364/0	370/0	0	0
Jul	342/0	348/0	348/0	342/0
Sep	350/0	353/0	352/0	350/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.550	77.725	77.750	77.350
Jun	74.200	74.100	74.250	73.825
Aug	69.475	69.500	69.550	69.300
Oct	69.525	69.525	69.600	69.375
Dec	69.775	69.750	69.800	69.600
Feb	69.200	69.200	69.200	69.200
Apr	70.375	70.400	70.375	70.350

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.200	40.250	40.225	39.875
Jun	45.175	45.475	45.500	44.850
Jul	45.175	45.850	45.650	45.125
Aug	43.900	44.275	44.350	43.925
Oct	41.175	41.350	41.300	41.050
Dec	44.175	44.475	44.350	43.950
Feb	45.100	45.675	45.475	45.000
Apr	43.100	43.250	43.250	43.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	36.750	37.050	37.450	36.800
Jul	37.475	37.725	38.000	37.250
Aug	36.050	36.325	36.650	36.000
Feb	48.175	48.250	48.175	47.900
Mar	47.300	47.250	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Good results boost share prices

By Steve Thompson

A NOTICEABLE increase in equity turnover masked what was viewed by a number of senior dealers as a largely uninspiring session in the market. Nevertheless, shares posted widespread gains, shrugging aside the latest opinion polls and focusing on another series of largely encouraging company news reports. The FT-SE 100-share index closed 7.3 higher at 2,472.2.

Sentiment in London was also helped by expectations, subsequently proved correct, of a firm opening on Wall Street.

The latest opinion polls, which continued to give Labour a small lead over the Conservatives, were seen as slightly disappointing for a market which had built up a head of steam late on Wednesday in anticipation of a poll favouring the Tories.

In the event, the market proved extremely resilient to such news, opening marginally firmer and gradually gathering strength before dipping off towards the close.

Up 1.5 at 8am, the Footsie was 14.1 ahead at the day's peak as Wall Street opened. The index was said to have been pushed higher by programme trade activity, before succumbing to profit-taking and closing 7.3 points up.

The initial driving force came from evidence of a sizeable trading programme, said to have been weighted towards the buy side, executed late on Wednesday, and printed on the Seaq ticker first thing yesterday. At least two more programme trades, one in mid-morning and the other in the early afternoon, were responsible for boosting turnover.

Seaq revealed that turnover reached 524.8m shares at the close, the highest daily total this week. But statistics revealed that daily turnover by value has failed to top the £1bn mark, widely regarded as the benchmark of profitability for market firms, this week.

Of the big company news stories, Burmah Castrol, the lubricants/specialist chemicals group delighted the market with excellent figures and a positive statement on prospects, and the shares bounded ahead in good volume.

Rank Organisation, the UK's premier leisure group, was another exceptional performer, responding to a positive note published by Smith New Court's leisure team pinpointing recovery prospects.

Lonrho, the controversial international conglomerate, delivered the worst performance of the Footsie constituents, the shares sliding 7.8 per cent as the market recoiled from the political aspect of its deal with Libya.

Commenting on the state of play in the election campaign the strategy team at County NatWest said: "If Mr Kinnock becomes the next prime minister the market would probably have another 5 per cent to fall. However, the election outcome is still wide open."

Kleinwort Benson pointed out that the market should not miss what it says may currently be judged as minor issues, namely that the season continues to impress plus evidence that the economy is at last moving off the bottom.

The securities house also points to the continued firmness of Wall Street where it says evidence of US economic recovery is accumulating.

Account Dealing Dates

*First Dealings:	Mar 9	Mar 23	Apr 6
Option Declarations:	Mar 19	Apr 2	Apr 23
Last Dealings:	Mar 20	Apr 3	Apr 24
Account Day:	Mar 30	Apr 13	May 5

*New-time dealings may take place from 8.00 am two business days earlier.

Hotel deal knocks Lonrho

CONGLOMERATE Lonrho fell sharply as a result of mixed feelings about its annual meeting and consideration of a hotel chain deal with Libya.

As the market opened, Lonrho gained 4 on news that it had sold a one-third share in its Metropole Hotels (Holdings) to the Libyan Arab Foreign Investment Company for £177.5m. The price was seen to be good and the cash was welcomed as a counterbalance to an estimated debt of £850m.

However, as analysts considered the political implications of the deal, particularly the prospect that any potential buyer of Lonrho might be discouraged by the link, they took a more cautious view.

This view was compounded by murmurs of disquiet over general trading voiced at the annual meeting. Lonrho traditionally has a very loyal body of private shareholders behind it, but observers said the cracks were beginning to show yesterday.

The stock slipped back in the afternoon to close a net 8 lower at 95p – one of the biggest percentage falls in the London market – with a hefty turnover of 10m shares.

Rank shines

Political considerations helped Rank Organisation as buyers sought the leisure and office equipment group as a hedge to a possible Labour victory in the UK general election next month. The shares climbed 15 to 660p in brisk turnover of 1.1m.

Smith New Court initiated the Rank rise yesterday as it put out a strong buy note. The broker highlighted the group's credentials of a reasonable rating in an underperforming leisure sector that is poised to improve markedly as the economy recovers. "Rank has the right profile in the right sector at the right time," said Mr Bruce Jones.

The point highlighted by Smith and taken up by most investors, however, was that Rank could be a key stock under a Labour administration, with its domestic leisure side – such as bingo halls and holiday centres – largely unaffected by the party's tax plans and economic policies. It also has a large international exposure through its Rank Xerox subsidiary, which will also be unmoved by a change of UK government.

Burmah pleases

Lubricants to specialist chemicals group Burmah Castrol was one of the strongest performers in the market after announcing 1991 profits at the top end of analysts' forecasts and a confident trading statement. The shares jumped 41 to 523p with 2.2m traded.

The rise was accentuated because expectations had been dampened ahead of the results announcement and analysts were pleased that profit margins had been maintained in spite of a fall in volume. County NatWest said Burmah still looked inexpensive. The house remains a buyer and has lifted its forecast for this year by £1m. It has also raised its dividend forecast by a penny to 25p.

Reflection on the prospects for TSB following the bank's annual meeting left the shares looking weak against the market on heavy turnover of 8.2m. The stock lost a penny to 130p.

Kleinwort Benson's banking team, which was already at the low end of analysts' forecasts, cut its profits estimate for the year to October by £20m to £205m. The house also shifted the stock from a buy recommendation to a hold following recent outperformance of TSB against the market.

Glaxo retreated 22 to 802p as the recent positive run on the shares appeared to peter out. Talk that Glaxo formed part of a large sell programme carried out by US brokerage house Salomon Brothers late on Wednesday also helped to depress the stock.

Strong interim results helped Wellcome to rise 15 to 1014p. Profits were roughly in line with market forecasts, but the meeting was bullish and analysts liked the underlying sales growth, especially of its Zovirax herpes drug and its anti-Aids drug Retrovir.

ICI was firm on reports that Tamoxifen, a drug used against breast cancer, might also strengthen a woman's bones, reducing the risk of osteoporosis that normally accompanies ageing. Tamoxifen is produced by a subsidiary of ICI and the chemicals giant gained 16 to 1255p.

Burton Group was the most heavily traded stock in London on turnover of 15m shares. Morgan Stanley and Cazenove were said to be involved, as blocks of around 3m shares, including an agency cross at 40½p, changed hands. The stock closed ½ higher at 40p.

Supermarkets had a firm tone following higher profits from Wm Morrison and a strengthened buy recommendation for J. Sainsbury from UBS Phillips & Drew. Northern England food retailer Morrison, recently described as a rising star by Barclays de Zoete Wedd, moved ahead 15 to 328p on announcing profits of £62.65m, compared with £50.28m previously. The company also proposed a two-for-one scrip issue.

Sainsbury moved forward 6 to 387p after UBS upgraded its 1992-93 profits estimate to £725m from £706m.

News of possible trouble ahead for Rolls-Royce, the aerospace engine maker, seeped into the market and restrained the shares, which showed no change at 154p. Trade unions, unhappy at the loss of 3,000 jobs, held a meeting at the company's Derby factory yesterday and could ballot the workforce on industrial action.

Figures from food processing equipment group APV came in at the lower end of the range of City forecasts and were accompanied by a warning that current first-half trading had been difficult. In spite of a held dividend the shares fell 8 to 108p.

Exposure to US markets helped Siebe to put on 10 to 627p and TI 7 to 652p.

Publishers and printers were helped by 1991 profits of £85.2m from United Newspapers. The profits were at the top end of forecasts and United advanced 13 to 373p, with S.G. Warburg hardening its buy stance on the stock. Pearson was lifted 18 to 796p and Reed International 14 to 520p.

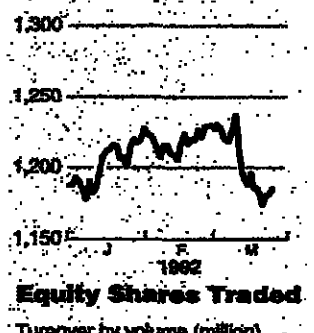
Paper, plastics and building materials group Bunzl appreciated 4 to 90p on 6.4m shares traded after a sharp fall in 1991 profits. Analysts felt that the company had hit rock bottom and was set for a revival of fortunes.

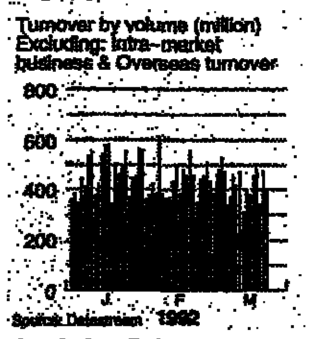
Slough Estates, Britain's fourth largest property group, won a generally warm reception for its final results yesterday. The shares firmed a penny to 177p in exceptionally high volume of 3.8m.

Bass, the UK's biggest brewer, came closer to achieving the sale of 2,740 public houses that it is required to dispose of under a Department of Trade ruling. The shares rose 8 to 536p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Colin Millham.

■ Other market statistics, Page 22.





FINANCIAL TIMES STOCK INDICES

	Mar 26	Mar 25	Mar 24	Mar 23	Mar 20	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	85.93	86.14	86.02	85.94	86.06	85.03	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.99	99.35	98.15	99.11	99.20	94.53	101.58 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1938.3	1929.9	1926.2	1910.8	1916.5	1953.9	2109.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	120.8	121.2	121.8	123.4	123.4	138.4	222.8 (11/7/91)	116.0 (17/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2472.2	2464.9	2458.7	2441.0	2456.8	2458.5	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1161.65	1156.54	1157.61	1151.61	1162.99	1137.08	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.64	4.66	4.67	4.64	4.70	4.94				
●Earning Yld %(full)	6.69	6.60	6.63	6.62	6.64	8.94				
●P/E Ratio(Net)(☆)	18.79	19.26	19.17	19.02	19.08	13.78				
SEAQ Bargns 5.00pm	28,610	26,468	27,980	26,630	33,120	44,540				
Equity Turnover(£m)†	-	922.3	984.9	754.8	1048.0	1038.03				
Equity Bargains†	-	30,741	32,744	31,380	37,291	46,693				
Shares Traded (ml)†	-	404.3	479.3	345.5	494.2	566.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.65

Ordinary Share Index, Hourly changes Day's High 1943.3 Day's Low 1929.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1931.8	1923.1	1937.2	1939.3	1940.4	1939.8	1941.0	1937.7	1939.3

FT-SE 100, Hourly changes Day's High 2479.0 Day's Low 2463.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2466.4	2467.5	2472.3	2475.4	2475.1	2474.2	2476.0	2470.7	2472.9

FT-SE Eurotrack 200, Hourly changes Day's High 1164.27 Day's Low 1161.16

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1163.04	1161.73	1162.34	1162.95	1162.53	1163.34	1161.84

GILT EDGED ACTIVITY

Indices*	Mar 25	Mar 24
Gilt Edged Bargains	163.3	119.7
5-Day average	110.3	98.5

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

VOLATILE trading left the futures market slightly firmer in an otherwise featureless session, with political pressures for once pushed to the background, writes Christopher Price.

The March FT-SE contract opened at 2,469, but was quickly squeezed up to 2,474. Aggressive selling by, among others, Goldman Sachs and UBS Phillips & Drew, pushed March down to 2,460, and the rest of the morning trading was at a discount to the cash market. However, an expectation that Wall Street would be corrected up after a reported mistake by Salomon Brothers had knocked the Dow Jones index, helped March rally by early afternoon to 2,472.

There was steady business in a tight 68-72 trading range for most of the afternoon, before a move to sell, largely by independent traders, sent March lower. It closed at 2,466, one point up on the previous session, and at a discount to the cash market of around 5. Volume was 6,339.

In the LTOM, volume of 27,925, up on Wednesday's incorrectly reported 24,916, included 10,699 FT-SE 100 contracts. Lasmo was the best-traded option, with 2,860 contracts concluded, followed by Prudential (1,546) and Hanson Trust (1,063).

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Mar 26 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Mar 25 Index No.	Tue Mar 24 Index No.	Mon Mar 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	788.44	+0.7	7.91	6.04	16.48	7.91	783.06	783.67	782.76	869.21
2 Building Materials (23)	949.00	+1.0	7.23	6.54	18.67	2.76	939.98	945.40	944.30	1132.32
3 Contracting, Construction (28)	881.54	+0.5	7.52	8.00	20.00	8.17	877.15	877.37	876.27	1399.24
4 Electricals (7)	2382.21	-0.1	7.84	6.29	16.61	20.97	2385.75	2384.44	2370.01	2453.35
5 Electronics (26)	1787.59	......	10.13	4.80	12.51	2.63	1786.78	1798.34	1802.46	1809.66
6 Engineering-Aerospace (8)	337.30	+0.2	10.04	7.70	12.96	9.52	336.74	335.28	335.13	444.21
7 Engineering-General (43)	489.83	......	8.65	4.82	14.31	4.06	489.65	490.33	489.80	459.53
8 Metals and Metal Forming (10)	319.50	......	2.17	10.72	-	0.32	319.43	320.42	330.81	490.37
9 Motors (14)	318.13	+0.7	8.03	7.39	16.57	4.81	315.89	314.72	313.92	350.99
10 Other Industrial Materials (19)	1605.22	+1.4	7.41	5.16	16.52	25.72	1582.96	1577.52	1566.31	1551.51
21 CONSUMER GROUP (187)	1619.92	+0.2	7.41	3.49	16.54	7.27	1617.19	1613.62	1596.99	1427.25
22 Brewers and Distillers (23)	2044.55	+0.6	7.90	3.56	15.24	7.92	2032.63	2006.92	1999.14	1759.18
25 Food Manufacturing (18)	1235.20	+0.2	8.85	4.22	14.03	8.41	1233.06	1235.60	1235.80	1184.02
26 Food Retailing (18)	2580.33	+1.4	8.54	3.28	15.21	4.30	2545.14	2536.52	2531.15	2611.73
27 Health and Household (24)	4237.13	-1.0	6.38	2.48	17.80	19.88	4280.85	4236.84	4144.04	3185.90
29 Hotels and Leisure (21)	1257.35	+0.4	7.15	5.43	17.79	8.54	1252.67	1260.70	1258.36	1352.13
30 Media (24)	1508.98	+1.5	6.33	3.63	19.93	9.98	1486.97	1501.08	1486.41	1465.38
31 Packaging, Paper & Printing (17)	744.20	+0.6	7.61	4.42	15.44	5.97	740.02	745.80	734.09	654.14
34 Stores (32)	1000.92	......	7.41	3.63	17.92	1.91	1000.85	1012.52	998.70	877.23
35 Textiles (10)	643.70	+2.2	7.13	4.83	17.91	2.69	629.78	636.14	628.68	542.42
40 OTHER GROUPS (117)	1183.53	+0.3	10.26	5.60	12.28	11.06	1179.69	1178.21	1169.85	1182.97
41 Business Services (16)	1287.02	-0.7	7.40	5.07	17.16	4.85	1296.24	1292.81	1283.28	1181.43
42 Chemicals (22)	1456.92	+0.9	7.11	5.03	17.25	20.70	1444.34	1439.97	1441.90	1250.09
43 Conglomerates (11)	1326.03	+0.5	10.75	7.58	11.36	3.18	1318.86	1325.41	1312.97	1546.20
44 Transport (14)	2407.39	+0.1	5.48	4.72	24.49	6.61	2403.97	2365.43	2318.84	2185.97
45 Electricity (16)	1116.07	+0.6	15.74	6.66	8.28	17.21	1109.92	1116.21	1103.61	1128.05
46 Telephone Networks (4)	1336.76	+0.3	11.73	4.69	11.13	16.02	1332.94	1326.60	1321.99	1365.47
47 Water (10)	2248.83	+0.7	18.96	7.07	5.81	0.00	2234.23	2241.10	2217.76	2399.76
48 Miscellaneous (24)	1836.63	-0.2	6.60	5.38	19.98	20.86	1840.54	1850.54	1838.76	1879.91
49 INDUSTRIAL GROUP (482)	1272.18	+0.3	8.37	4.59	14.94	8.87	1268.25	1266.50	1256.77	1217.62
51 Oil & Gas (18)	1991.75	+0.7	9.37	7.14	14.07	38.16	1976.98	1975.76	1977.03	2355.55
59 500 SHARE INDEX (500)	1339.96	+0.4	8.47	4.86	14.85	11.04	1335.22	1333.48	1324.39	1314.34
61 FINANCIAL GROUP (86)	689.05	+0.1	-	6.58	-	11.95	688.45	686.88	686.78	819.58
62 Banks (9)	871.78	-0.1	4.63	6.26	46.26	22.89	872.45	873.51	873.31	895.90
65 Insurance (Life) (6)	1369.47	+1.4	-	6.48	-	15.74	1351.22	1358.51	1367.31	1543.04
66 Insurance (Composite) (7)	453.45	+0.2	-	7.67	-	4.99	452.47	447.82	444.24	691.12
67 Insurance (Brokers) (10)	916.38	-0.9	8.51	7.32	15.47	18.78	924.59	923.92	935.26	1177.94
68 Merchant Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (68)	1156.62	[illegible]	-	3.84	-	10.34	1156.93	1161.27	1161.30	1192.59
99 ALL-SHARE INDEX (654)	1185.64	+0.3	-	5.03	-	11.03	1181.92	1180.40	1173.47	1193.33

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 25	Mar 24	Mar 23	Mar 20	Mar 19	Year ago
FT-SE 100 SHARE INDEX♦	2472.2	+7.3	2479.0	2463.4	2464.9	2458.7	2441.0	2456.6	2467.6	2456.5

FIXED INTEREST

[illegible]

(a)Opening Index 2466.4; 9 am 2467.5; 10 am 2472.3; 11 am 2475.4; Noon 2475.1; 1 pm 2474.2; 2 pm 2476.0; 3 pm 2470.7; 4.10 pm 2472.9. (b) 2.49pm (b) 8.46am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

The People column has moved to Page 12.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (28). AMERICANS (1) Colgate-Palmolive, BREWERS & DISTILLERS (2) Greene King, Invergordon Dists., BUILDING MATERIALS (2) Needler, Worcester, CHEMICALS (2) Engelhard, Wolstenholme Rink, CONGLOMERATES (1) Wassall, CONTRACTING & CONSTRUCTION (1) Gleeson (M.J), ELECTRONICS (1) Hoskyns, ENGINEERING GENERAL (2) Siebe, Weir, FOOD RETAILING (3) Brake Bros., Morrison (Wm.), Do. 5¼pc Prf., HEALTH & HOUSEHOLD (1) Medeva, HOTELS & LEISURE (1) Tanjong, INVESTMENT TRUSTS [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 27.03.92: Pool purchase price £/MWh	Final Prices for Trading on 26.03.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.88	17.08	17.06
0100	16.65	17.10	17.10
0130	18.34	17.74	18.82
0200	18.37	17.74	18.82
0230	18.86	17.27	18.33
0300	18.86	17.27	18.33
0330	16.81	17.06	17.06
0400	16.78	17.05	17.05
0430	16.76	17.04	17.04
0500	16.75	17.04	17.04
0530	16.76	17.02	17.02
0600	16.81	17.03	17.03
0630	16.86	17.04	17.04
0700	16.93	17.06	17.06
0730	18.58	17.99	19.08
0800	21.90	17.99	19.09
0830	22.87	18.18	19.28
0900	24.09	18.87	19.99
0930	25.11	20.46	21.63
1000	25.10	20.45	21.64
1030	25.08	20.45	21.63
1100	22.73	19.28	20.40
1130	30.18	19.28	20.40
1200	30.18	19.28	20.40
1230	30.14	19.26	20.40
1300	30.08	18.93	20.04
1330	22.49	18.18	19.27
1400	22.48	17.09	17.09
1430	22.28	17.07	17.07
1500	22.28	17.07	17.07
1530	16.99	17.06	17.06
1600	16.99	17.06	17.06
1630	16.99	17.06	17.06
1700	17.00	17.08	17.08
1730	17.00	18.16	19.24
1800	16.97	19.22	20.34
1830	25.00	20.56	21.71
1900	25.01	20.56	21.70
1930	25.01	19.97	21.10
2000	25.00	18.18	19.28
2030	24.98	18.18	19.27
2100	22.27	17.40	18.47
2130	18.03	17.06	17.08
2200	18.03	17.05	17.05
2230	16.83	17.04	17.04
2300	16.78	17.04	17.04
2330	16.74	17.02	17.02
2400	16.74	17.02	17.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		38 3/16xd	-1/16	38 13/16	20 7/8	18,288	1.9
♥Allegheny & W		327p	+22	395p	218p	198.9	5.2
Amdahl		978p	-1	1198p	887p	1,082	0.6
Amer Cyanamid		38 1/16	-1/16	42 7/8	25 7/8	2,983	2.3
Amer Express		13 3/16xd	+1/16	17 7/8	9 11/16	6,390	4.2
Amer T & T		23 5/8xd	+1/2	24 1/2	15 1/4	30,409	3.1
Ameritech		33 1/8	-7/8	38 7/8	32 1/2	14,509	6.0
BankAmerica		25 13/16xd	-1/16	25 5/8	12 3/16	5,611	2.9
Bankers NY		32 5/8xd	-1/8	38 3/16	20 1/16	2,661	8.4
Bell Atlantic		24 1/2	+1/4	30 1/2	24	9,685	5.8
BellSouth		25 5/8	+1/8	31 1/4	25	12,429	6.1
♥Bethlehem Steel		8 5/8xd	-1/8	11 1/4	6 3/8	987.4	–
Bowater		1512pxd	—	1839p	1042p	549.1	4.5
CPC		58 1/8xd	-1/8	64 13/16	37 11/16	3,769	2.7
California Engy		712p	—	938p	420p	129.6	–
Campbell Soup	h	21 1/8	+1/2	25	14 1/8	6,310	1.9
Chase Manhattan		13 13/16xd	—	14 13/16	5 3/16	1,695	4.8
Chrysler		10 1/16xd	+1/8	10 7/8	5 7/8	2,977	3.3
Citicorp		9 3/8xd	+1/16	10 1/8	4 5/8	3,392	–
Colgate-Palm		28 5/16xd	+5/16	28 9/16	21 7/16	4,154	2.1
Cont'l Bank		982p	-2	957p	438p	892.3	3.4
Dana		22 5/8xd	-1/2	23 1/8	13 5/8	990.8	4.0
Data General		589p	-4	1262p	203p	162.5	–
Dial		22 11/16xd	+7/16	24 1/8	7 7/8	900.8	2.8
Dun & Brad		33	—	33 1/2	20 1/4	5,888	3.7
Eaton		43 1/2	-1 7/8	45 1/2	24 3/4	1,491	2.8
Echlin		10 5/8xd	-1/8	11	5 1/2	583.4	3.7
FPL		19 1/2xd	+1/8	20 1/8	14 7/16	3,294	7.0
Fluor		23 5/8xd	—	30 9/16	17 7/16	1,918	1.0
Ford Motor		22 1/4xd	+1/8	23 3/8	13	10,789	2.5
Gen Elect		45xd	—	46 11/16	28 3/16	38,896	2.6
♥General Host		538p	-4	596p	270p	–	3.7
Gillette		27 5/8xd	+1/16	45 3/4	20 7/8	6,048	1.3
Hasbro	h	14 5/8	+1/8	16	5 1/8	1,238	0.5
Honeywell		42 3/16xd	-1/16	43	21 1/4	2,899	2.2
Houston Inds		24 1/8	-1/8	24 1/2	17 7/8	3,128	6.9
IBM		49 5/16xd	—	72 13/16	46	28,218	5.5
Ingersoll-Rand		36 1/4xd	-1/32	38 3/16	18 1/16	1,906	2.0
Lockheed		26 1/8	—	28 1/8	18 5/8	1,669	4.3
Lowe's		2328p	+50	2478p	1245p	847.7	1.4
Merrill Lynch		33 3/16xd	-7/16	39 13/16	10 1/16	3,419	1.7
Morgan (JP)		33 1/4xd	+1/8	38 1/4	21 11/16	6,280	3.7
Morris (Philip)		44 1/2xd	+1/4	45 7/16	25 7/16	41,963	2.7
NYNEX		42 1/4	+1/4	48 3/4	39	8,569	6.2
♥Pac Agric		42p	—	69p	15p	–	–
Pall		15 1/2	+1/8	17 13/16	10 3/16	1,368	1.3
Pennzoil		28 1/8xd	-1/8	46 1/8	25 5/8	1,056	6.5
Quaker Oats		32 3/8xd	-1/4	40 3/8	24 7/8	2,476	3.0
Rockwell		14 1/4xd	-3/8	17 7/8	12 1/8	3,365	3.5
Rep NY		23 1/4	—	27 13/16	16 1/2	1,296	2.4
Sears, Roebuck		26 1/2xd	-1/4	28	12 13/16	9,118	4.2
Sthwestern Bell		34 1/8	+1/8	35 7/8	25 5/8	10,231	4.7
Sun Co		18 1/8xd	-1/4	20 1/4	14 1/8	1,710	6.4
Tenneco		21 7/8xd	-1/8	27 1/8	14 7/8	2,678	4.1
Texaco		32 7/8xd	-1/16	40 1/2	29 1/16	8,497	5.5
Time Warner		59 1/4xd	-1/4	*64 1/2	37 7/8	5,470	1.0
♥Unitab		460p	—	587p	250p	427.3	–
Utd Tech		30 7/8xd	+1/4	31 1/2	22 7/8	3,765	3.3
♥UtilTech		120p	—	120p	42p	–	–
‡URS Intl. 1c		0 1/2p	—	1 1/4p	0 1/8p	1.99	–
US West		19 7/8	—	23	18 1/4	8,119	5.9
Varity		757p	+12	1410p	578p	188.9	–
Waste Manage		22 3/16xd	-1 1/16	28	16 5/8	18,686	1.1
Whirlpool		2633pxd	-68	2701p	1053p	1,830	2.4
♥Woolworth		17 7/16	-1/16	28 3/16	12 1/4	2,274	3.5

CANADIANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		2p	—	11p	1 1/4p	–	–
Amer Barrick		1435p	—	1642p	953p	1,980	0.3
Bk Montreal		21	+1/4	23 1/4	13	2,523	5.4
Bk Nova Scot		1084p	+13	1178p	536p	2,018	4.7
♥BC Gas		852p	+7	878p	639p	–	3.8
BCE		23	+1/8	24 1/2	17 1/4	7,119	6.7
♥Brascan		852p	-5	1090p	647p	702.7	6.6
♥Breakwater		27p	+1/2	38p	6p	17.2	20.0
Can Imp Bk		1468p	+37	1510p	1180p	2,676	4.9

INVESTMENT TRUSTS - Cont.

Notes	Price	+or -	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.	89½	-½	116	89½	13.3	—	—
Cap.	21	-1	88	21	—	5.9	-200.0
Stepped Pf	128¾	-½	132½	113	8.5	—	—
Zero Div Pf	169½	-½	172½	141	—	—	—
Warrants	6½	—	19	6	—	—	—
Scot Value ....a	57½	—	58	48¼	2.9	57.3	0.6
Sec Alliance ....†	1165	-1	1255	992	4.0	1349.7	13.6
Second Market ....s	236	—	236	199	0.5	276.1	14.5
Sec Tst Scot ....†	66	+½	78	57½	6.3	72.1	9.2
Select Assets	100	+½	102	71	1.2	135.8	26.1
Eq Ind Serl	112	—	121	89	5.1	—	—
Eq Ind Serll	112	—	121	89	5.1	—	—
Shires ....†	203	—	208	191	11.7	221.7	8.4
11pc Cv Ln '03/04	£98½	—	£120½	£97½	11.1	—	—
Siam Select	88	—	99	78	1.5	105.1	16.3
Warrants	18	—	31	17	—	—	—
Smaller Cos.	71	—	89	60	4.7	80.9	12.2
Warrants	10	—	25	8	—	—	—
Sphere Inc.	16	—	33	14¾	32.3	23.1	33.1
Zero Div Pf	67¾	—	69¾	58¾	—	—	—
Warrants	0¾	—	9½	0¾	—	—	—
Stratton	152	—	169	120	1.6	188.1	19.1
Sumit	40	—	119	38	4.2	108.0	63.0
TR City of Lon ....M	104	—	121¼	90	6.2	109.1	4.7
TR Euro Growth ....s	85	—	104	78	1.6	99.1	14.2
Ptg Sub ....s	58	-1	58	40	2.7	—	—
TR Far East Inc.	88	-½	94	56	8.4	101.1	13.0
Warrants	13	—	23	12	—	—	—
TR High Inc.	92	—	115	85	8.8	95.3	3.4
Sub ....g	29	—	35	24	6.9	—	—
TR Pacific ....s	89	—	92	49	0.4	98.4	10.8
TR Prop.	23	—	37	23	8.4	32.9	30.1
TR Smaller	127	—	155	96	3.9	145.9	13.0
TR Technology ....M	30	-1	52	20	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

MERCHANT BANKS - Cont.

Notes	Price	+or -	1991/92 high	low	Mkt Cap£m
Hambros ....†	235	+1	302	204	485
7½pc Cv Pf	182	—	185	90	183
Joseph (L)	329	—	419	323	77
Kleinwort Benson	218	+2	377	214	385
Rea Bros.	28	-1	48	24	11
Schroders	1080xd	—	1143	840	846
N/V	613xd	-2	653	423	119
Singer & Fried	44xd	—	56	33	94
Warburg (SG) ....†	493	-4	593	314	1,02[illegible]
8pc Cv Pf	178	—	282	109	72
Wintrust	223	—	259	223	18

METALS & METAL FORMING

Notes	Price	+or -	1991/92 high	low	Mkt Cap£m
ASW	137xd	—	278	131	91
Apollo Metals	148	—	149	113	16
Ash & Lacy	148	—	188	88	38
Barrett (H)	38	-1	113	30	10
Billam (J)	108xd	+2	119	80	1.7
Brasway	15½	—	19	11	11
Brit Steel	78	—	148	61	1,49[illegible]
Bromsgrove ....M	101	-1	101½	98½	85
BCI	18	-1	35	18	15
Castings ....†	128	—	133	78	76
Chamber & Hill	95	—	109	65	8.9
Clayhithe ....M	35	—	82¾	35	5.8
9½pc Cv 2000-1	£87½	—	£99	£82½	8.5
Cohen (A)	360	—	535	350	6.4
Cook (Wm) ....†	256	—	384	203	88
Cooper (F)	55	—	66	36	19
Cronite	36	—	49	12	4.9

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Kenmare	4½	—	25	3½	4.32	—
Navan Res I£	24	—	26	15	3.22	—
Northgate Expl C$ ....s	37	—	99	37	4.67	—
North West Expl A$	2½	—	16	2	0.64	—
Oryx Gold S	78	—	188	77½	—	—
Ovoca Gold I£	9	-1	28	8	0.63	—
Plateau	9	—	44	9	4.10	—
RTZ ....Q	568xd	+10	685	404	5,685	4.6
Vizcaya	2	—	10	2	1.07	—
Western & Pac C$	17	+2⅓	162	7	9.33	—
Young Grp.	35	-1	130	25	5.27	19.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. l Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	118.7	120.1	126.4	-0.50	0.00
AIB Grofund Equity	5	167.6	169.7	179.5	+1.60	1.72
AIB Grofund Euro	5	135.1	136.9	144.1	+0.40	2.09
AIB Grofund Gilt	3	69.50	69.52	71.67	+0.07	6.47
AIB Grofund Japan	5	113.4	114.7	120.8	+0.20	0.00
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	116.2	116.2xd	123.2	+0.1	8.40
High Inc Equity	6	120.3	123.1	130.9	+0.7	6.49
Worldwide Bond	6	220.5	220.5xd	235.7	+0.1	6.09
Capital Growth						
American Growth	6	213.5	213.5	229.3	-2.7	.98
Asian Pacific	6	140.4	143.4	152.5	-0.5	1.40
Assets & Earnings	6	178.1	178.1	190.4	+1.6	3.21
Capital Reserve Acc	0	113.4	113.4	113.5		7.91
Capital Reserve Inc	0	83.89	83.89xd	83.95	+0.02	7.92
Comdty & Energy	6	67.81	67.81xd	72.52	+0.07	1.46
1992 Enterprise	6	66.56	66.55	71.17	+0.39	3.06
Euro Capital Acc	6	90.99	90.99	97.31	-0.25	1.07
Euro Capital Inc	6	86.93	86.93	92.97	-0.24	1.08
General	6	162.3	162.3xd	173.5	+1.0	3.34
Japan	6	79.05	79.05	84.54	+0.16	—
Mastertrust	6	87.63	87.63	93.72	+0.25	2.51
UK Growth Acc	6	168.6	169.5	180.3	+0.7	2.55
UK Growth Dist	6	102.7	107.7	114.5	+0.4	2.59
US Emerging Cos	6	83.17	83.17	88.95	-0.09	—
Income & Growth	6	284.7	284.7	304.4	+2.1	4.60
Ethical	6	52.42	53.77	57.20	+0.30	3.18
International	6	61.75	62.69	66.69	+0.10	1.59
Dividend & Growth	6	44.66	45.71	48.62	+0.31	6.17
Global Gwth & Sec	6	53.46	53.73	57.15	+0.12	2.69
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maldon General	0	102.6	102.6xd	105.71		5.51
Manulife Management Ltd (1200)F						
St George's Way, Stevenage Dealings 071-256 5858						
Growth Units	5¼	129.1	129.8	138.8	+0.9	3.83
Gilt & Fxd Int	5	150.1	150.1xd	159.1	+0.1	8.17
Intl Growth	5¼	143.6	143.6	153.9	-0.4	0.39
North American ♥	5¼	109.9	109.9	118.1	-0.1	0.74
Far East	5¼	130.8	130.8	140.0	-0.7	1.07
UK Smaller Cos	5¼	102.2	102.2	109.3	+0.7	2.51
European	5¼	53.76	53.76	57.39	+0.1	0.92
Japanese Growth	5¼	29.05	29.05xd	31.04	-0.07	0.00
Managed P'folio	5¼	48.20	48.20	51.50	+0.07	1.71
High Income	5¼	131.3	132.5xd	141.7	+0.9	6.37
Marks & Spencer Unit Trust Ltd (1200)F						
PO Box 410, Chester X, CH99 9DG 0244 680066						
M & S Inv P'folio	5½	109.8	110.0	117.6	+0.4	5.10
Do Accum	5½	119.2	119.4	127.7	+0.4	5.10
UK Sel P'folio	5½	91.00	91.70	98.07	+0.8	4.39
Do Accum	5½	98.51	99.21	106.1	+0.9	4.39

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
N&P Unit Trust Management Ltd (1200)F						
35 Fountain St, Manchester M2 2AF 061 237 5322						
N&P UK Growth	5	56.29	56.98	60.30	+0.46	3.82
N&P UK Income	5	79.10	80.02	85.59	+1.47	5.70
N&P Gilt & Fixed Int	5	64.61	64.61xd	68.38	+0.04	8.50
N&P Higher Income	5	139.30	144.90	153.80	+0.80	6.70
N&P Smaller Co's	5	54.70	56.37xd	60.29	-0.07	2.83
N&P International	5	72.62	72.62	77.58	+0.95	2.69
National Provident Inv Mgrs Ltd (1400)H						
48 Gracechurch St, EC3P 3HH 071-623 4200						
NPI American Acc ♥	5	83.40	83.74	89.08	-0.45	0.49
NPI American Dist ♥	5	77.30	77.62	82.57	-0.39	0.49
NPI European Acc	5	72.98	73.59	78.29	+0.29	0.24
NPI European Dist	5	70.82	71.41	75.97	+0.28	0.24
NPI Far East Acc ♥	5	104.5	105.2	111.9	+0.40	0.64
NPI Far East Dist ♥	5	103.0	103.7xd	110.3	+0.40	0.64
NPI Global Dist	5½	52.25	52.28xd	55.91	-0.15	2.64
NPI O'seas Acc	5	906.7	911.9	970.1		0.95
NPI O'seas Dist	5	701.3	705.3xd	750.3		0.95
NPI UK Acc	5	479.5	482.9	513.7	+1.50	3.47
NPI UK Dist	5	260.1	261.9	278.6	+1.90	3.47

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071—379—0444.

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American♥	5	295.4	295.4	315.3	-2.6	0.72
(Accum Units)♥	5	347.7	347.7	371.1	-3.1	0.72
British	5	771.2	778.5	823.7	+1.9	6.07
(Accum Units)	5	1293.3	1305.5	1381.3	+3.1	6.07
European	5	340.2	340.2	361.5	+0.9	1.39
(Accum Units)	5	368.8	368.8	391.6	+0.9	1.39
Japan	5	99.53	99.53	106.0	+0.7	-
(Accum Units)	5	100.3	100.3	106.8	+0.7	-
New Pacific	5	198.4	198.4	211.9	-0.8	1.62
(Accum Units)	5	203.8	203.8	217.6	-0.8	1.62
PEP Mar 25	5	144.7	146.0	154.5	....	3.96
Mngd Equity	5	123.6	125.0	132.2	+0.4	2.83
Mngd Equity Acc	5	131.1	132.6	140.3	+0.5	2.83
Mngd Cash	0	97.07	97.07	97.07	....	10.12
(Accum Units)	0	119.7	119.7	119.7	....	10.12
Majority Stig	1	101.03	101.03	102.04	+0.02	9.94
Majority Stig Acc	1	110.02	110.02	111.12	+0.02	9.94

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing: 0277 261010

International Mar 13	0	51.10	51.10	51.56	....	13.18

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Equity	6	588.0	595.2	634.6	+4.0	3.22
North America	6	87.23	87.23	93.29	+0.17	0.31
Far East	6	87.05	87.05	93.10	-0.10	0.93
W'wide Bond	6	48.75	48.75	51.86	-0.02	6.39
European	6	68.53	68.53	73.29	+0.15	1.53
Equity Income	6	63.90	63.90	68.34	+0.44	6.12
Portfolio	6	57.93	57.93	61.96	+0.17	2.52
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	....	2.23

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basing View, Basingstoke, Hants 0800 525725

American Growth	6	27.58	27.58	29.50	-0.11	0.46
Managed Assets	6	98.82	99.54	106.31	+0.50	3.81
UK Income	6	29.67	30.03	32.12	+0.27	5.03
UK Growth	6	29.99	30.31	32.42	+0.23	3.78
Worldwide Growth	6	23.93	23.93	25.60	-0.03	1.02

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INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

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Norwich Union Life Insurance Soc.–Contd.

Norwich Union Pension Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assc. Assn.–Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

For UK Life assurance see Century Life Plc

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Friends Provident International

Hafnia Prolific International

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Fairmount Financial Services Ltd

Hambros Fd Mgrs (CI) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Manor, Blogs & Partners

PRS Fund Management Ltd

Roxborough Financial Management Ltd

Sharp (Albert E.) & Co.

Sitala Fund Managers Limited

Smith Yorke Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co.

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Newport Investment Management

Orion Fund Limited

Target International Group

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Lion World Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Gartmore Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

GUERNSEY (REGULATED)(**)

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Nikko Capital Mngt (Europe) Ltd

Rudolf Wolff Capital Management Ltd

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (a)

Hafnia Prolific International Mngmt Ltd

MI Global Asset Mngmt Co Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (a)

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Federated International Funds Plc

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs

Asset Global Funds Ltd

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	Bid Price	Offer Price	+ or -	Yield Gross
AMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income ... 5	0.4890	0.4890	0.5148	18.35
AMI Core Portfolio Fund				
UK ... 5	£- 0.9891	1.0594		-
USA ... 5	£- 1.0777	1.1431		-
Japan ... 5	£- 0.5281	0.5575		-
Equity & Law Intl Fund Mngrs Ltd				
Surrey Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd ... 5	95.32	95.33	100.31 +0.02	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth ... 5½	490.6	490.6	525.7 +0.1	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L.J. International ... 5½	93.36	93.36	100.49 +0.30	-
Mercury Fund Managers IoM Ltd				
1 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund ... 5	102.4	102.4	109.3 +0.38	7.4
Merc Intl Bond ... 5	53.98	53.98	56.72 +0.14	8.8
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income ... 6	1.0186	1.0186	1.0941	18.23
Unibank Scandinavian Fund Ltd				
3 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd ... 5	-	141.28	150.63	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Mngrs (IOM)				
Traders Fund Ltd N* ...	$17.30	18.71	...	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Jackman Option & Warrants ...	60.0	72.0	-5.0	0.00
Jackman Option & Warrants $ ...	$1.03	1.24	-0.10	0.00
Jackman Reserve Assets ...	104	104	+1.00	2.67
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling ...	129.7	136.2	...	4.7
DL International ...	151.55	163	...	1.9
Equity & Law International Fund Mgs Ltd				
European Equity ...	162.04	170.54	+0.41	-
Far Eastern Equity ...	$2.2550	2.5733	+0.0192	-
North Amer Equity ...	$1.7929	1.8870	-0.0052	-
UK Equity ...	157.95	166.24	...	-
Global Equity ...	115.58	121.64	-0.34	-
UK Gilt & Fxd Int ...	101.16	106.47	+0.03	-
Dollar Deposit ...	$100.58			-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income ...			$15.30	15.881	...	4.06
Capital ...			$23.63	24.349	...	3.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Enrobd Long Term* ...			$32.58	34.0618	...	4.96
* Offer Price includes 3½% initial charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Mar 19 C$12.68						
First Aust Prime Inc Inv Co Ltd NAV Mar 19 US$10.62						
NAV Diluted to reflect exercise of all Wrts C$12.37 US$10.35						
Fidelity Investment (CI) Ltd						
Sterling American ...			£2.502	2.633	-0.005	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV ...			DM16.33		(z)	-
Foreign & Colonial Mngt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash ...			$10.63		+0.01	-
Multicurrency Cash ...			$16.37		+0.05	-
Sterling Cash ...			£11.68		+0.01	-
US$ Bonds ...			$14.53		+0.04	-
Multicurrency Bonds ...			$19.25		+0.09	-
Sterling Bonds ...			£12.76		+0.02	-
D Mark Bonds ...			DM30.37		+0.01	-
Ecu Bonds ...			Ecu12.64		+0.06	-
UK Equities ...			£10.00		+0.05	-
US Equities ...			$16.22		-0.10	-
Japanese Equities ...			Y705		+0.13	-
Global Equities ...			$10.78		+0.10	-
John Govett Management (Jersey) Ltd						
Govett's Emer Co NAV Mar 26 ...			$10.84		...	-
Spec Sectn Fd NAV Mar 20 ...			$8.58		...	-
Paragon Fd NAV Feb 28 ...			$10.38		...	-
Paragon Redemption ...			$9.99		...	-
Hungarian Inv Co Feb 28 ...			103.85		...	-
For Holborn Fund Mngrs see Prudential Fund Mngrs						
INVESCO MIM International Limited						
All Funds deal daily except where indicated.						
Sterling Denominated Income Funds						
American Equity Inc ...			£1.520	1.631	-0.010	3.00
Japan Inc & Grwth ...			£1.238	1.328	+0.001	2.26
Sterling Denominated Growth Funds						
Capital Deposit ...			£35.73	35.74		-
European Perform ...			£0.3986	0.4286	+0.0017	-
Far East ...			£2.145	2.306	+0.002	-
Pioneer Markets ...			£3.339	3.590		-
UK Growth ...			£1.058	1.138	+0.007	2.55
£ Mng Portfolio ...			£1.481	1.601	-0.008	-
US Dollar Denominated Growth Funds						
Gold & Prec Mtls ...			$0.739	0.795		-

Commercial Union ... – Contd.

Midland Internatnl Circuit Fund SICAV(a)

Fidelity Investment (CI) Ltd

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

BEA Associates

Global Asset Management – Contd.

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rises on low trade

THE DOLLAR regained some of its recent losses against the d-mark in London yesterday in the most quiet trading reported in several weeks and in spite of the release of poor economic data, writes **Andrew Jack**.

The US Labour Department released figures showing the number of newly unemployed people registering for unemployment insurance rose by 15,000 to 447,000, compared with market expectations of a total nearer 440,000. Revised gross domestic product statistics for the fourth quarter of last year were also disappointing, with growth reported at 0.4 per cent, compared with the 0.8 per cent previously published.

But the effect was short-lived, with the currency soon rising again during the day, and it was floating at DM 1.6615/20 and Y133.85/95 mid-session.

"The dollar is a bit perkier," said Mr Neil MacKinnon, chief economist at Yamaichi bank in London. "It managed to shrug off the data." He said the markets had already absorbed the impact of these figures and were waiting for a fresh crop on the US economy due next week.

It may also have been helped by bullish speeches from Mr Edward Kelley, Federal Reserve governor, and Mr Nicholas Brady, US Treasury Secretary, who argued that US economic recovery was well on its way.

The Swiss franc dropped sharply against the dollar in New York, when the d-mark/Swiss franc cross rate broke through resistance at 91 centimes. Most traders were reported as buying into d-marks and then switched to buying dollars against the Swiss franc.

In Asian trading, the dollar had slipped against the yen late in the day on speculative sales and stop-loss orders, closing down against the yen at Y133.20 and up on the d-mark at DM 1.6528.

Sterling closed down 0.27 cents at $1.7260 in London, against losing its gains from Wednesday. Against the d-mark, it rose four basis points, closing at DM 2.86. The exchange rate index closed unchanged at 90.1.

Dealers said a group of US funds helped raise the dollar in modest in late trade, triggered by programme trading based on technical analysis of market trends. "Apart from this late burst, it's been one of the quietest days I can remember," one dealer told Reuters.

They maintained that the effects of the political uncertainty would have little impact on the pound, as it was being discounted through the money markets instead.

Mr Neil MacKinnon of Yamaichi said: "Sterling is an icon of stability in contrast to equities and gilts. It has been able to absorb fairly changeable opinion polls. It is pinned firmly to the floor. Cutting base rates would be a necessary condition to lift it."

£ IN NEW YORK

Mar 26	Latest	Previous Close
£ Spot	1.7215-1.7225	1.7315-1.7325
1 month	0.94-0.92pm	0.94-0.92pm
3 months	2.77-2.75pm	2.83-2.80pm
12 months	9.18-9.12pm	9.28-9.18pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.038	-3.44	6.12	59
Belgian Franc	42.4032	42.0439	-0.85	3.35	37
Dutch Guilder	2.31643	2.30029	-0.70	3.20	30
D-Mark	2.05586	2.04266	-0.64	3.14	36
Irish Punt	0.767417	0.766185	-0.16	2.64	4
Italian Lira	1538.24	1540.48	0.15	2.33	-21
French Franc	6.89509	6.92692	0.46	2.01	-30
Danish Krone	7.84195	7.92635	1.08	1.39	-53
Sterling	0.696904	0.714166	2.48	0.00	-99

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Mar 26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.722	2.862	230.7	9.707	2.610	3.222	2156	2.052	58.75	1.399
$	0.581	1	1.662	134.0	5.637	1.516	1.871	1252	1.192	34.12	0.812
DM	0.349	0.602	1	80.61	3.392	0.912	1.126	753.3	0.717	20.53	0.489
YEN	4.335	7.464	12.41	1000.	42.08	11.31	13.97	9345	8.895	254.7	6.064
F Fr.	1.030	1.774	2.948	237.7	10.	2.689	3.319	2221	2.114	60.52	1.441
S Fr.	0.383	0.660	1.097	88.39	3.719	1	1.234	826.1	0.786	22.51	0.536
N FL	0.310	0.534	0.888	71.60	3.013	0.810	1	669.1	0.637	18.23	0.434
Lira	0.464	0.799	1.327	107.0	4.502	1.211	1.494	1000.	0.952	27.25	0.649
C$	0.487	0.839	1.395	112.4	4.731	1.272	1.570	1051	1	28.63	0.682
B Fr.	1.702	2.931	4.871	392.7	16.52	4.443	5.484	3670	3.493	100.	2.381
Ecu	0.715	1.231	2.046	164.9	6.939	1.866	2.303	1541	1.467	41.99	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Jun	91.76	91.94	91.75	91.84
Sep	92.25	92.42	92.25	92.33
Dec	92.45	92.60	92.43	92.55
Mar	92.72	92.82	92.79	92.80

Estimated volume 9180 (3360)
Previous day's open int. 36276 (35889)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Mar	2467.0	2475.0	2459.0	2466.0
Jun	2504.5	2511.0	2498.0	2505.0
Sep	2540.5	2544.0	2544.0	2541.0

Estimated volume 15460 (8438)
Previous day's open int. 41550 (42395)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Jun	1159.0			1157.0
Sep				

Estimated volume 0 (0)
Previous day's open int. 18 (18)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7225	1.7132	1.6949	1.6696	1.6308

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
105	-	-	-	0.09	-	-
106	-	-	-	0.21	0.52	-
107	1.10	-	-	0.46	0.62	-
108	0.53	1.14	-	0.92	1.23	1.46
109	0.24	0.74	-	-	-	-
110	0.08	0.46	-	-	-	-
111	-	-	0.48	-	-	-
Open Int	112,809	23,623	1,010	99,674	10,833	950

Estimated volume 38,639 Total Open Interest 248,899

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Trading stays low

RATES closed little changed yesterday in modest trading as uncertainty over the UK general election result continued to haunt the market, writes **Andrew Jack**.

"It's unfortunately a bit tedious at the moment," said Mr David Cocker, treasury adviser to Chemical Bank in London. "The market isn't thinking of a Conservative victory. It favours a hung parliament."

His views seemed to be reflected in a Reuters poll among 46 economists circulating on the news wires, which showed more than 70 per cent expected a hung parliament.

Dealers said most trading was complete by mid-morning, with the vast majority of the volume in very short dates no further out than one month.

The overnight rate went as high as 11-10¾ per cent, before closing at 10¼-10⅛ per cent, down ⅛ on the previous day. Three-month money closed at 10⅞-10¾ per cent, holding stable with yesterday's close, while at the long end one year money also closed unchanged at 11-10⅞ per cent.

The June sterling contract continued its descent, dropping by six basis points from Wednesday's close to finish at 89.08. It opened at 89.01 and then bounced between 89.07 and 89.18 during the day, with trading volume standing at 28,028 by the close.

The Bank of England expected a shortage of around £400m in the morning. This comprised £290m from treasury bills and maturing assistance, £180m in bills for repurchase by the market and £100m from the rise in note circulation, offset by £205m in exchequer transactions.

It revised its shortage to £300m at midday and did not operate. However, in the afternoon, it came into action, buying £137m band-1 bills at 10⅜ per cent, and £13m band-2 at 10⅜ per cent. The Bank provided late assistance of around £30m.

The US Federal Reserve added temporary reserves to the banking system through four-day system repurchase agreements. Funds traded at 4 1/16 per cent at the time of the Fed's operation, just above the four per cent target level. The operation addressed a small need for reserves, economists said.

German call money eased but remained close to the 9.75 per cent emergency lombard rate, quoted at 9.60/65 per cent after 9.65/70 on Wednesday.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.26) 3 months US dollars		6 months US Dollars	
bid 4 3/16	offer 4 5/16	bid 4 7/16	offer 4 9/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

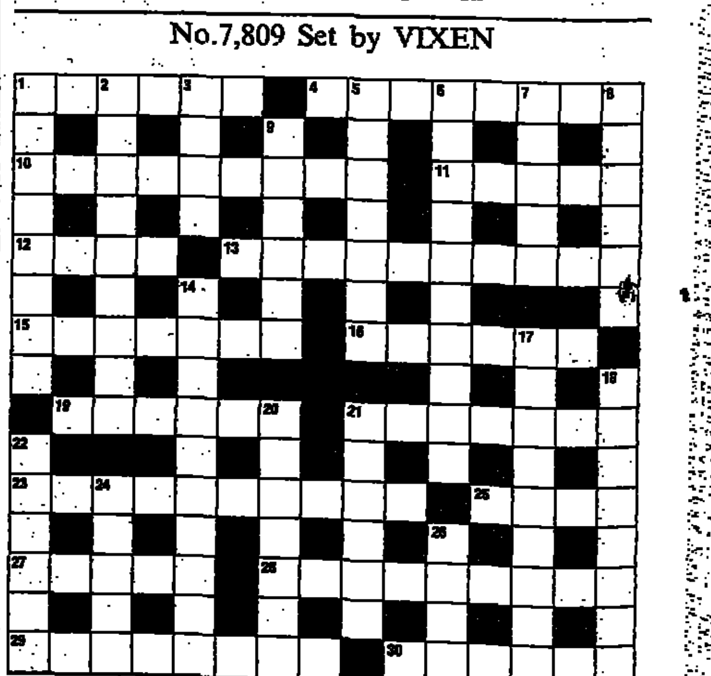
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

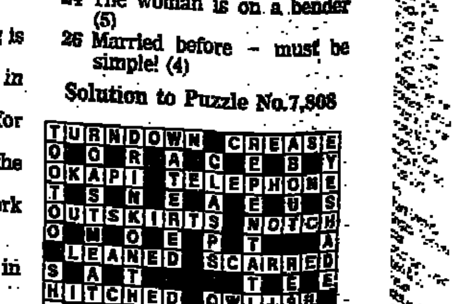
No.7,809 Set by VIXEN



ACROSS
1 There's a carnival on here in Spain (6)
4 The person bringing into the country mean royal characters (8)
10 Choosing to give voice about the chosen (9)
11 The French joined by a sheepish creature pause (3-2)
12 Goes by boat and brawls (4)
13 They'll make one admission after another (10)
15 Study neat model – it's only natural (7)
16 Stop a man painting back lounge (6)
19 Note land scarcity (6)
21 The artist's wife's holding is small (7)
23 Romans test make-up in variety (10)
25 Demonstrate affection for "X" (4)
27 Non-Christian section of the Scottish in Dundee (5)
28 A player who finds his work no laughing matter (9)
29 Normal colours (8)
30 Did some writing, though in prison (6)

DOWN
1 Summary of a sailing man's dissertation (8)
2 Grant's toleration (9)
3 Not now in circulation, certainly (4)
5 Get a man to turn almost crimson (7)
6 Cancel outside broadcast with cultured following (10)
7 Giving a child a pound – that's all there is (5)
8 The food's about gone (6)
9 Miniature record (6)
14 Good and sufficient reason for merry-making? (10)
17 Mistrust such a hint (9)
18 A boy in a rush argued (8)
20 The little beast, being rash, met disaster (7)
21 An old Cretan in love will interrupt a fellow (6)
22 Many refuse stripes (6)
24 The woman is on a bender (5)
26 Married before – must be simple! (4)

Solution to Puzzle No.7,808



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices March 26

MONTREAL

3:00 pm prices March 26

Total Sales 11,526,700 shares

INDICES

NEW YORK

DOW JONES	Mar 25	Mar 24	Mar 23	Mar 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3259.39	3260.96	3272.14	3276.39	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.54	98.50	98.58	98.41	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1390.88	1397.05	1417.04	1433.67	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.37	205.43	205.43	206.12	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3290.47 (3296.96♦) Low 3238.15 (3242.84♦)

STANDARD AND POOR'S

	Mar 25	Mar 24	Mar 23	Mar 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	407.52	408.88	409.91	411.30	420.77 (15/1)	403.89 (12/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	485.28	486.87	487.87	489.15	499.27 (15/1)	480.59 (12/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.36	34.42	34.62	34.90	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	225.40	225.89	226.41	226.96	231.85 (15/1)	223.30 (12/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	400.29	399.57	401.36	402.03	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	619.48	618.68	621.83	624.28	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 20	Mar 13	Mar 6	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.84	2.84	3.53

	Mar 18	Mar 11	Mar 4	year ago (approx.)
S & P Industrial div. yield	2.61	2.64	2.61	2.88
S & P Indl. P/E ratio	28.91	28.51	28.61	17.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Coltec Ind	8,858,600	18	----
Glaxo	3,052,400	28¾	+ ⅛
Amer T & T	2,977,600	40⅞	+ 1⅛
Amer Express	2,959,500	23⅛	+ ⅜
Waste Man	2,702,200	38⅞	- 2
Telefonos	2,031,000	59⅛	+ 1⅛
Ford Motor	1,974,700	39	----
RJR Nabisco	1,952,700	9⅛	+ ⅛
Advanced Micro	1,448,300	19⅛	+ 1
Bally	2,093,400	7	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 25	Mar 24	Mar 23
New York SE	192.080	188.723	155.620
Amex	14.461	13.708	12.917
NASDAQ	191.947	186.925	148.858
NYSE			
Issues Traded	2,213	2,244	2,217
Rises	768	731	694
Falls	880	988	989
Unchanged	565	525	534
New Highs	45	70	57
New Lows	16	26	26

CANADA

TORONTO	Mar 25	Mar 24	Mar 23	Mar 20	1992 HIGH	1992 LOW
Metals & Minerals	2978.83	3004.83	2988.71	3001.26	3238.87 (16/1)	2935.22 (2/1)
Composite	3452.30	3437.80	3443.70	3469.95	3666.00 (16/1)	3437.80 (24/3)
MONTREAL Portfolio	1801.49	1792.77	1793.35	1808.08	1937.59 (16/1)	1792.77 (24/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation (c) Closed (u) Unavailable. ♦ Corrected figures.

	Mar 26	Mar 25	Mar 24	Mar 23	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1571.2	1582.0	1583.4	1586.7	1675.60 (15/1)	1568.80 (18/3)
All Mining (1/1/80)	684.2	683.5	684.6	684.3	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	432.85	431.91	429.64	433.50	485.20 (18/3)	372.24 (2/1)
Traded Index (2/1/91)	1035.72	1032.55	1025.82	1034.99	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1190.63	1193.37	1189.81	1197.00	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	331.14	333.42	333.50	336.69	365.29 (15/1)	331.14 (26/3)
FINLAND						
HEX General (28/12/90)	838.6	834.8	835.5	843.6	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	523.49	519.86	513.63	519.21	534.00 (11/3)	475.53 (2/1)
CAC 40 (31/12/87)	1934.75	1928.28	1896.26	1884.57	1993.88 (10/3)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	698.21	698.47	694.94	699.13	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1975.3	1975.1	1964.7	1977.3	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1719.02	1716.26	1713.11	1717.47	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5037.71	5052.23	5052.32	5061.14	5071.19 (13/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1395.89	1398.15	1397.46	1392.87	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	496.97	499.29	505.50	510.61	551.59 (6/2)	496.97 (26/3)
MIB General (2/1/87)	979.0	983.0	994.0	1007.0	1086.00 (5/2)	979.00 (26/3)
JAPAN						
Nikkei (16/5/49)	19885.49	20226.78	19891.57	20239.60	23801.18 (6/1)	19764.31 (18/3)
Tokyo SE (Topix) (4/1/68)	1446.76	1448.78	1439.55	1459.88	1763.43 (6/1)	1407.78 (18/3)
2nd Section (4/1/68)	2117.71	2118.40	2118.22	2137.05	2459.85 (6/1)	2115.93 (18/3)
MALAYSIA						
KLSE Composite (4/4/86)	604.27	607.40	609.90	609.33	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tl.Rtn Gen.(End 1983)	292.0	291.7	292.0	292.9	295.10 (4/3)	274.00 (8/1)
CBS All Shr (End 1983)	205.0	204.8	205.1	205.2	4379.00 (17/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	704.35	704.76	710.43	713.56	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1086.60	1088.95	1094.63	1101.79	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	388.59	390.45	388.80	387.34	416.99 (21/1)	384.78 (9/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	1124.0	1140.0	1121.0	1103.0	1327.00 (21/1)	1103.00 (24/3)
JSE Industrial (28/9/78)	4438.0	4432.0	4426.0	4399.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	611.70	607.83	(c)	624.13	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	255.57	254.05	255.84	256.19	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1004.1	1009.3	1001.4	1001.6	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	818.0	815.4	808.6	808.7	818.00 (26/3)	748.50 (8/1)
SBC General (1/4/87)	644.0	642.6	639.3	640.4	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4792.54	4721.25	4790.10	4685.16	5391.63 (30/1)	4685.16 (23/3)
THAILAND						
Bangok SET (30/4/75)	824.08	827.22	822.61	827.19	827.22 (25/3)	711.81 (3/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	493.7*	493.0	492.0	492.7	542.10 (7/1)	490.20 (16/3)
Euro Top-100 (26/6/90)	919.83	919.10	915.71	914.98	943.20 (3/3)	870.31 (2/1)

**Saturday March 21: Taiwan Weighted Price: 4745.03. Korea Comp Ex. 617.30.
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 26 March 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Okamoto	3.0m	1,180	+10	Minebea	2.5m	509	-18
Dainippon Ink	2.8m	426	-29	Clarion	2.3m	1,040	-140
Nippon Carbon	2.7m	1,230	-300	Nippon Steel	2.1m	320	-2
NKK	2.7m	288	-1	Hitachi Zosen	1.9m	590	-7
Toshiba	2.5m	805	0	Hitachi	1.8m	789	+3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices March 26

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.3	17	118	14⅝	14½	14½	-⅛
26	20⅝	AL Labs A x	0.18	0.8	110	220	23⅜	23	23¼	
68⅛	58⅛	AMP Inc	1.52	2.6	23	1117	58⅞	d58	58⅛	-⅞
80¼	68⅞	AMR				252790	75	74¼	74⅛	+⅜
2⅜	1⅛	ARX			2	37	1⅞	1⅞	1⅞	
53½	43¾	ASA	2.75	6.2	12	100	44⅝	44½	44½	-⅛
68⅜	58¾	Abbott Lab	1.20	2.0	23	1972	61½	60⅛	60¾	+½
13⅞	12⅛	Abitibi Pr	0.50	3.8	27	54	13⅛	13	13⅛	-⅛
11⅝	10⅜	ACM Gvt In	0.66	6.2		232	10½	d10⅜	10⅜	-⅛
10⅜	9⅛	ACM GvOpp	0.80	8.6		46	9⅜	9¼	9¼	-⅛
9½	8⅝	ACM Gvt Sp	0.80	9.1		290	8¾	d8⅝	8¾	+⅛
11¼	10⅛	ACM Gvt Se x	0.98	9.4		1022	10⅜	10¼	10⅜	
9⅜	8⅞	ACM Man	0.95	10.7		124	8⅞	8¾	8⅞	+⅛
12⅞	10⅞	ACM Managd	1.08	9.6		156	11⅜	11⅛	11¼	-⅛
11¼	7	Acme Cleve	0.40	4.0	19	126	10⅛	10⅛	10⅛	-¼
6¼	4½	Acme Elect			4	6	5⅞	5¾	5¾	-⅛
33¼	18⅞	Acuson			13	1022	20⅞	20⅝	20¾	+¼
19½	18½	Adams Expr	0.48	2.5	0	94	19⅛	19	19	
15½	13	Adobe12PF	2.40	16.6		12	14½	14½	14½	
5⅝	4½	Adobe Res			2	64	5⅛	5	5⅛	+⅛
49⅛	40½	Ad Micro	3.00	6.6		168	45½	45½	45½	+½
21½	16½	Ad Micro P	3.00	15.6	12	6197	19½	19⅛	19¼	
9⅛	5	Advest Grp	0.16	2.2	30	109	7⅜	7¼	7¼	-⅛
71¼	67⅛	Aegon ADR			7	4	70⅛	70⅛	70⅛	+⅝
47	38	Aetna Lf	2.76	6.4	9	1283	43½	43	43	-¼
12	8⅛	Affil A	0.24	2.4	72	332	10¼	10	10⅛	-⅛

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7 3/4	2 7/8	Salant Crp			0	55	6 1/2	6 3/8	6 1/2	+1/8
75 3/4	61 1/2	Sallie Mae	1.00	1.6	17	2569	63 3/4	d60 1/2	61	-3
14 1/2	13 5/8	Salomon Br	1.61	11.5		110	14	13 7/8	14	
32 1/2	27 7/8	Salomoninc	0.64	2.3	7	4165	28	d27 5/8	27 3/4	-3/8
45 7/8	42 3/8	SanDgo G&E	2.88	6.6	12	132	43 5/8	43 1/2	43 1/2	
3 7/8	2 3/8	SantaFeEdx x	0.40	12.3	27	31	3 1/4	3	3 1/4	+1/4
9 1/4	7	SantaFeStx x	0.16	2.0	28	1232	8 1/4	8 1/8	8 1/8	
36 5/8	31 7/8	SantaFePac	2.75	8.6	10	72	32	d31 7/8	31 7/8	-1/4
14 1/8	11 1/8	SantaFeSth			21	2883	11 3/4	11 5/8	11 1/2	-1/4
57	49 1/4	Sara Lee	1.00	1.9	17	1599	52 1/4	51 3/8	51 7/8	-1/4
6 1/2	1 3/4	Savin			0	26	3 1/2	3 3/8	3 3/8	+1/8
3 1/4	7/8	Savin 0.80	0.80	58.2		2	1 1/2	1 1/2	1 3/8	
44 1/8	38 5/8	Scana Corp	2.68	6.9	11	116	39 1/4	39	39	-1/4
47 1/8	40 3/8	Scecorp	2.72	6.6	12	1082	41 1/2	41 1/4	41 3/8	+1/4
68	54 7/8	SheringPl	1.32	2.3	18	3895	57	56 5/8	56 3/4	+1/4
64 1/4	54 1/2	Sch'berger	1.20	2.1	16	3772	56 1/4	55 5/8	55 7/8	+5/8
37 7/8	29 1/4	Schwab(C)	0.16	0.4	28	665	u37 3/4	36 1/2	36 5/8	-5/8
9 1/8	6 3/4	Schwitzer			38	58	u9 1/8	9	9	-1/8
19 3/4	15 7/8	ScientAtln	0.16	0.9	118	250	17 1/2	17	17	-1/8
9 1/2	7 1/4	Scotman x	0.10	1.1	13	32	8 7/8	8 3/4	8 7/8	-1/8
44 1/2	34 1/2	ScottPaper	0.80	1.9	27	3853	42 1/4	41 5/8	41 7/8	+1/8
15 7/8	13 5/8	ScuddrNAsF	0.18	1.2		74	15 3/8	15 1/2	15 3/8	+1/4
9 1/4	8 1/8	ScuddrNEnF	0.30	3.4		100	8 7/8	8 3/4	8 7/8	+1/8
24	18 1/4	Sea Cont	0.70	3.7	8	891	19 1/4	19	19 1/8	
16 5/8	14 7/8	SeaC1.4625	1.46	9.7		3	15 1/4	15 1/4	15	
128 1/2	109 1/2	Seagram Co	2.00	1.8	14	291	115	114 1/4	114 1/4	
25 1/4	21 3/8	Seagull En			64	388	24 1/2	24 1/8	24 1/2	+1/8
56 7/8	44 7/8	Sealed Air			25	108	50 7/8	50 1/2	50 5/8	-1/8
18	12 1/8	SPX Corp	0.40	2.3	160	103	17 5/8	17 1/2	17 5/8	
47 7/8	37	Sears Roeb	2.00	4.4	19	2986	46	45 5/8	45 7/8	+1/4

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28 1/2	24 7/8	Xtra 1.94	1.94	7.0		38	27 1/2	27 1/8	27 1/2	+5/8
37	28 1/2	Xtra Corp	0.80	2.3	14	118	35 5/8	35 1/4	35 1/4	-1/8
27	25 1/4	Yankee Egy	1.60	6.0	12	14	26 5/8	26 1/2	26 1/2	
1 1/2	1/2	Zapata			28	230	1 1/4	1 1/8	1 1/8	
11 1/8	7 1/4	ZenithElec			5	235	9 3/8	9 1/4	9 1/4	-1/8
17 3/4	14 1/2	Zenith Nat	1.00	6.2	7	61	16 1/4	16	16 1/4	
6 3/4	6	Zenix Inc x	0.85	12.6		93	u6 3/4	6 5/8	6 5/8	
13 3/4	11 1/8	Zero Corp	0.40	3.1	19	17	13 1/8	12 7/8	12 7/8	-1/8
38	34 3/4	Zurn Ind	0.88	2.3	16	290	37 5/8	37 1/2	37 5/8	+1/4
14 1/8	12 3/4	Zweig Fund	1.16	8.7		77	13 3/8	13 1/4	13 3/8	
11	9 7/8	Zweig Tott	0.98	9.1		348	10 1/2	10 3/8	10 1/2	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices March 26

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3:00 pm prices March 26

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
WPP Group	1	11	1	958	2 [illegible]	2 [illegible]	2 [illegible]	-1/16
Wyman-Gdn	0.40	4	288	5 5/8	5 1/8	5 1/4	-1/8

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1028	28	27 1/4	27 3/4	
Xoma Corp		11	2622	21 3/4	20 3/4	20 3/4	-1/4
Yellow Fr	0.94	30	1193	30	29 1/8	29 1/8	-7/8
York Rsch		43	1860	5 3/8	5	6 1/4	+1/8
ZionsUtah	1.44	10	542	u49 1/2	47 3/4	48 7/8	+7/8

AMERICA

Dow recovers ground lost by broker's error

Wall Street

SHARE prices edged higher on Wall Street yesterday morning as the Dow Jones index made up almost all of the ground lost late on Wednesday due to an erroneous computerised sell order, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 11.63 at 3,271.02. The more broadly based Standard & Poor's 500 was also firmer at midsession, up 1.34 at 408.86. In contrast, the Nasdaq composite of over-the-counter stocks slipped 1.02 to 618.46. Turnover on the NYSE was 108m shares by 1 pm, and rises outpaced declines by 807 to 646.

Early gains had been expected when the market opened, primarily because the previous session's loss was due entirely to a clerical error at Salomon Brothers, the securities house, which initiated a huge computer sell program in the final minutes of trading, wiping 12 points off the Dow.

Salomon's subsequent attempts to rectify the mistake – which would involve the firm buying back millions of dollars in shares – and the realisation that stock prices were actually on an upward course on Wednesday in spite of the loss on the Dow, meant that trading got off to a positive start.

Apart from the Salomon error, there was little to provide the market with direction. Investors ignored news of a slightly bigger-than-expected 15,000 rise in weekly jobless claims, and sentiment remained broadly positive amid hopes for further advances in the economic recovery.

Among individual stocks, American Express firmed $⅝ to $24¼ in volume of 3.9m shares after Smith Barney Harris Upham, the broking house, upgraded its rating on the stock from a "hold" to a "buy". The Smith Barney analyst likes the stock because of the strong contribution to earnings from the group's Shearson Lehman stockbroking subsidiary, and more competitive pricing and cost-cutting at American Express' travel-related services unit.

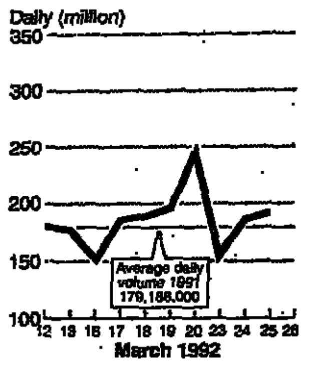
After three days of selling, airline stocks staged a modest recovery. UAL rose $1⅛ to $146¾, Delta put on $⅛ at $64¼, AMR (parent of American Airlines) climbed $¾ to $74¾, and USAir firmed $⅛ to $18.

Waste Management, which has been a volatile stock in recent days as the group's management completes a roadshow for investors ahead of an offering by an international subsidiary, bounced back from Wednesday's big fall with a rise of $1¼ to $40 in turnover of 1m shares.

Glenfed plunged $1½, or almost a third, to $3⅞, on the news that the savings and loan group's non-performing assets and restructured loans increased by 11 per cent in January and February.

On the over-the-counter market, Borland International fell another $3¼ to $58¾ in heavy trading after Shearson Lehman slashed its fourth quarter earnings forecast from an originally estimated 20 cents a share to just 5 cents a share. Borland shares have fallen 14 per cent this week.

NYSE volume



Canada

TORONTO drifted lower by midsession as the absence of news restricted trade. The TSE 300 composite index was 4.7 lower at 3,447.6 in turnover of C$197.1m.

Gulf Canada Resources rose C$⅛ to C$5⅞ on takeover speculation.

Among most active issues, Nova Corp fell C$⅛ to C$8⅞, Canadian Pacific eased C$¼ to C$16⅞, Bank of Nova Scotia slipped C$⅛ to C$20⅛ and Royal Bank of Canada was unchanged at C$24⅞.

Recovery undermined by fragile stability since coup

Joseph Mann charts the discontent in Venezuela

Concern over Venezuela's political and military stability in the wake of a frustrated military coup in February has been depressing stock prices.

The Caracas Stock Exchange index closed at 28,284.23 on Wednesday, down 17.2 per cent from the year's peak of 34,142.60 on February 3, the day before the coup attempt against the government of President Carlos Andres Perez.

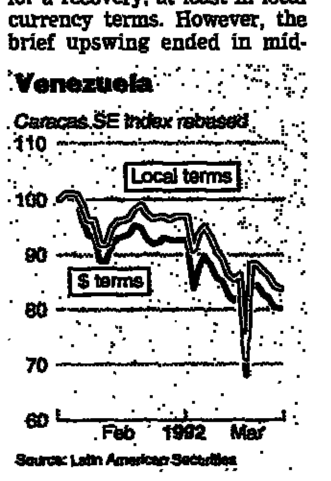
While this shows a fall of just 3.5 per cent in the index since the end of 1991, clearly investors were shaken by the frustrated rebellion, the first of its kind in the country since the early 1960s, and by subsequent events.

Over the last few weeks, opposition parties have been calling for the resignation of the president. His five-year term is due to finish in February 1994.

Along with frequent rumours of another military uprising, there have also been a rash of anti-government protests and two popular demonstrations in which tens of thousands of Caracas residents, calling out from rooftops and balconies, demanded that the president should quit.

Mr Perez and the three-year-old economic reform programme he initiated are the main targets of this wave of discontent, but the president has asserted repeatedly that he will not resign.

The Caracas stock index fell by more than 9 per cent in the four trading days after the market reopened on February 6, following a two-day closure. Prices then rallied briefly, and it seemed that the market – in dollar terms its stocks grew by 555 per cent in 1990 and by 34.3 per cent in 1991 – was headed for a recovery, at least in local currency terms. However, the brief upswing ended in mid-February, since when the market has continued to slide.



The Venezuelan bolivar, which lost 23.1 per cent of its value against the dollar in 1991, has also been hit hard by the general lack of confidence. The currency closed at the end of last year at 61.63 to the dollar, and had fallen 5.5 per cent to 65.00 by March 25. The general declining trend steepened after the putsch.

With inflation expected to be between 20 and 30 per cent this year, the bolivar will continue to fall. Large exporters believe it should decline even faster than it has so far this year, asserting that the currency is still somewhat overvalued.

All of this is somewhat ironic, since the economy grew by 9.2 per cent in 1991, the biggest rise in Latin America, and expansion of 5 to 6 per cent is expected this year. But aside from a lack of confidence, perhaps the biggest problem for the economy is inflation, which reached 148.2 per cent for the 1989-91 period. Last year inflation dropped to 30.7 per cent, compared with 36.5 per cent in 1990. But government promises to reduce it to 20 per cent by the end of 1992 are viewed sceptically by most businessmen and investors.

The government has said that it means to attack inflation with renewed vigour this year, but it is not clear yet how it will proceed in terms of interest rates. One thing is certain: the government will continue to intervene actively on the foreign exchange market, which is dominated by bolivar-dollar trading.

Senior officials are worried about the domestic political effect of a bolivar that devalues "too quickly" this year, and the administration is likely to use its large dollar reserves ($13.2bn at the end of the 1991 year) to attenuate the devaluation trend.

Although the bolivar's exchange rate is supposed to depend on a free float, the government, which controls most of the country's foreign exchange, has traditionally intervened actively on the market.

EUROPE

Corporate results provide the interest

CORPORATE results provided the interest on most bourses yesterday, *writes Our Markets Staff.*

FRANKFURT traded in a narrow range as attention remained on Veba and Schering. Further evidence that the Bundesbank was still not on top of inflation held the market back. The DAX index rose 2.76 to 1,719.02 while the FAZ index, calculated at midsession, eased 0.26 to 698.21. Turnover fell to DM5.2bn from DM5.5bn.

Schering dropped DM9 to DM826.80 in heavy volume of 327,142 shares on disappointment about the delay in selling off non-core businesses.

Veba, which announced a rise in the dividend after the close on Wednesday, jumped DM5.50 to DM383.30.

Retailers were depressed by a trade association report which predicted that growth in west German retail sales would slow to a real 1.5 per cent in 1992 from 5.6 per cent last year. Kaufhof fell DM3.50 to DM513 while ASKO, a recent favourite, gave up DM10 to DM890 in big volume of 403,716 shares.

Less liquid stocks were on the move, with Linde up DM6 to DM819 while the haircare products company Wella eased DM8.50 to DM619.

PARIS saw volatility in some stocks while the broad market moved higher. Turnover was modest at just under FFr2bn as the CAC-40 index added 6.47 to 1,934.75.

CMB, the packaging company, fell FFr11.20 or 5.6 per cent to FFr186.40 after analysts were told at a meeting with the company that the first quarter of 1992 had been disappointing. Several brokers said they were trimming their 1992 earnings forecasts as a result, with Cheuvreux de Virieu making the most noise about it. Dealers said profit-taking in CMB had been inevitable in view of its 30 per cent outperformance over the last 12 months.

Cerus, the French holding company of the Italian entrepreneur Mr Carlo De Benedetti, rose FFr7.50 or 5.6 per cent to FFr140.50 on rumours that it would sell it Banque Dumenil-Leblé unit.

Poliet for once gave the market a pleasant surprise by releasing good 1991 results, and was rewarded with a FFr21 or 3.9 per cent increase in its share price to FFr550.

Générale des Eaux rose FFr52 to FFr2,290 on reports of positive developments in its property interests.

MILAN's depression deepened, following this week's poor banking results and further evidence of the massive divergence in the government's public sector borrowing requirement. Analysts saw little prospect of the market recovering after the general election and some said optimism that Mr Bettino Craxi, the Socialist leader, would be the next premier was misplaced.

The Comit index fell 2.32 to 496.97, a new low for the year but still above the 480 chart support level, while turnover was estimated at L83bn after L91.9bn. Dealers detected some support buying by the big corporate groups.

The banking sector remained weak, with Banca Commerciale Italiana falling L62 or 1.7 per cent to L3,540. In telecoms, Stet rose L26 to L2,110 ahead of its board meeting later in the day while Sirti rose L25 to L10,440 after announcing a 14 per cent rise in 1991 consolidated net profit.

ZURICH focused on the chemical sector with Ciba-Geigy and Sandoz reporting 1991 earnings. Ciba-Geigy, which announced a five-for-one share split, shed early gains and its certificates closed steady at SFr3,450, while its bearers dipped SFr20 to SFr3,430. Sandoz, which is to raise its dividend by SFr5, saw its bearers and registered shares both fall SFr20 to SFr2,590 each.

Roche, which has yet to release 1991 results, went against the trend with certificates up SFr50 to SFr3,050 and bearers gaining SFr10 to SFr4,280. The SMI index finished up 5.5 at 1,835.6.

AMSTERDAM featured Daf after the truck manufacturer reported a net loss for 1991 of Fl 395m and then said it was holding talks with the government and banks to strengthen its capital base. The shares closed unchanged at Fl 24.20 but analysts said that in spite of forecasting a stronger second half, prospects remained unfavourable. The CBS Tendency Index rose 0.6 to 125.6 in turnover of Fl 485.7m.

KLM was up 20 cents to Fl 36.50, on news released after the close on Wednesday that it was to expand its European flight network. Nutricia was down 80 cents at Fl 172 ahead of its results. Polygram, which is to raise Fl 250m from a commercial paper issue, advanced Fl 1.00 to Fl 45.00.

STOCKHOLM fell on profit-taking with the Affärsvärlden General Index falling 5.2 to 1,004.1 in turnover of SKr617m after SKr845m.

Volvo, which has been actively traded this week following news of management restructuring, slipped back with its B shares down SKr4 to SKr426. Procordia B also fell back, losing SKr2 to SKr197.

MADRID's general index closed 1.52 ahead at 255.57. Corporacion Mapfre, which announced plans to raise Pta10bn through three-year convertible bond issue, shed Pta230 or 5 per cent to Pta4,270.

FT-SE Eurotrack 100 - Mar 26

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1147.68	1146.76	1146.62	1146.20	1146.58	1147.31	1146.92	1146.25

Day's High 1147.80 Day's Low 1145.94

Mar 25	Mar 24	Mar 23	Mar 20	Mar 19
1144.53	1142.88	1142.05	1153.93	1153.18

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei starts new fiscal year on easier note

Tokyo

THE Nikkei average had an early gain reversed in dull trading as investors refrained from activity on the first trading day for the April account and the new fiscal year, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 341.29 on balance at 19,885.49 after setting a high for the day of 20,350.66 in the morning and later falling to the session's low of 19,885.29.

Volume dropped to 180m shares from 350m as year-end activity petered out. Foreign investors, who have been leading buyers of lower-priced blue chips, were also absent.

Declines finally led advances by 500 to 432, with 144 issues unchanged. The Topix index of all first section stocks dipped 2.02 to 1,446.76, but in London the ISE/Nikkei 50 index edged up 2.71 to 1,131.99.

A stronger futures market initially led the Nikkei index higher, but scattered selling later depressed share prices. Traders, who had hoped that individuals and investment trusts would start buying for the April account, were disappointed.

Dealers put the decline in the Nikkei down to sharp falls of low-liquidity component stocks. These had previously been relatively firm while leading blue chips had fallen, since arbitrageurs held the issues in their baskets. However, persistent rumours that the issues will be replaced in the Nikkei average triggered liquidation. Godo Shusei weakened Y200 to Y1,270 and Shimura Kako lost Y100 to Y880.

Okamoto Industries, the leading condom maker, gained Y10 to Y1,180 as investors were encouraged by the lifting of margin trading restrictions by Japan Securities Finance, which is closely linked with the Tokyo Stock Exchange.

High-technology issues were weaker on news that a US company had filed a suit for damages against some Japanese electronics makers on alleged patent infringement charges. Sony fell Y110 to Y4,040 and Matsushita Electric Industrial slipped Y20 to Y1,280.

Rumours that funds from the bribery scandal involving Sagawa Kyubin, the package delivery company, were used to rig speculative issues depressed speculative favourites. Clarion suffered a setback of Y140 to Y1,040 and Nippon Carbon dropped Y300 to Y1,230.

In Osaka, the OSE average eased 14.60 to 21,526.50 in volume of 73.5m shares. The index rose on early buying by dealers, but then lost ground on small-lot selling. Trading volume, lifted of late by cross-trades for year-end book closing, declined on the first trading day for the new fiscal year.

Roundup

THE FALL in Tokyo weighed on some Pacific Rim markets.

HONG KONG sentiment was dampened by rumours of a possible rights issue by Jardine Strategic. The Hang Seng index receded 14.52 to 5,037.71 in turnover of HK$2.58bn, against HK$2.28bn. Jardine Strategic was 10 cents lower at HK$22.30 ahead of 1991 results.

AUSTRALIA closed at its worst level this year, with the All Ordinaries index off 10.8 at 1,571.2 in A$190.8m turnover.

NEW ZEALAND fell a further 1.45 per cent to its lowest point since last August. The NZSE-40 index finished 20.40 down at 1,390.60 amid turnover of NZ$15m.

SINGAPORE declined on disappointing corporate results, the Straits Times Industrial index losing 9.94 to 1,439.72 in volume of 33.8m shares.

Overseas-Chinese Banking, on announcing a smaller than forecast rise in group net profits, shed 15 cents to S$8.95.

KUALA LUMPUR featured the debut of the car maker Proton, which ended at M$6.60 for a premium of M$1.60 over the offer price. The composite index, however, closed 3.13 lower at 604.27 in volume of 59m shares, up from 38.8m.

TAIWAN was encouraged by a statement late on Wednesday that the future president will be chosen through direct election. The weighted index rose 71.29 to 4,792.54 as turnover improved to T$20.31bn.

SEOUL's index fell below 600 on a report that the government was working on measures to restrain expansion of business conglomerates, but rebounded on buying by the Stock Market Stabilisation Fund to end at 611.70, up 3.87. Turnover came to Won442.4bn.

MANILA surrendered early gains to profit-taking. The composite index was off 2.35 on the day at 1,086.60 in turnover of 39m pesos, after 55m pesos.

SOUTH AFRICA

JOHANNESBURG lacked fresh direction with a weaker price for bullion pushing the gold index lower to close down 16 at 1,124. The overall index shed 7 to at 3,551 but industrials gained 6 to 4,438. Banks gained on merger rumours.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MARCH 25 1992								TUESDAY MARCH 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	144.06	+0.2	123.36	121.43	123.73	125.37	−0.2	4.40	143.74	123.90	121.48	124.35	125.57	160.31	112.74	134.24
Austria (20)	172.37	+1.5	147.59	145.30	148.05	148.48	+1.0	1.94	169.82	146.38	143.53	146.92	146.94	222.37	153.86	192.90
Belgium (46)	137.89	+0.4	117.90	116.05	118.26	115.62	−0.2	5.16	137.21	118.27	115.95	118.70	115.89	151.20	118.04	137.99
Canada (115)	130.19	+0.4	111.47	109.73	111.80	112.13	+0.2	3.31	129.64	111.74	109.55	112.14	111.88	144.28	126.49	136.52
Denmark (36)	231.74	+0.3	198.42	195.34	199.03	201.95	−0.6	1.81	231.06	199.17	195.28	199.89	203.17	273.94	217.74	237.82
Finland (15)	77.51	+0.5	66.37	65.34	66.57	73.29	−0.1	1.99	77.12	66.47	65.18	66.72	73.39	125.15	73.32	117.91
France (106)	152.82	+2.3	130.68	128.64	131.07	134.07	+1.5	3.36	149.19	128.60	126.08	129.05	132.05	156.43	119.11	135.96
Germany (65)	117.63	+1.3	100.72	99.17	101.03	101.03	+0.5	2.28	116.17	100.14	98.20	100.50	100.50	125.35	94.15	105.36
Hong Kong (55)	210.05	−0.1	179.85	177.05	180.41	208.72	−0.1	3.75	210.17	181.16	177.62	181.83	208.82	210.88	119.62	150.36
Ireland (18)	158.93	+1.0	136.09	133.97	136.50	138.84	+0.2	3.68	157.41	135.68	133.03	136.18	138.62	182.46	132.88	160.67
Italy (77)	69.45	−1.1	59.47	58.54	59.65	64.60	−1.5	3.60	70.19	60.50	59.32	60.72	65.58	88.23	64.76	76.78
Japan (473)	107.36	+0.7	91.92	90.49	92.22	90.49	+0.4	0.94	106.63	91.92	90.12	92.26	90.12	146.97	104.90	136.85
Malaysia (68)	245.12	−0.4	209.88	206.61	210.52	243.13	−0.3	2.60	246.22	212.24	208.08	213.00	243.95	250.18	189.18	234.51
Mexico (18)	1733.76	−1.2	1484.52	1461.43	1489.07	5828.02	−1.0	0.97	1754.41	1512.25	1482.72	1517.76	5887.85	1789.77	534.45	791.72
Netherland (31)	149.86	+0.5	128.32	126.32	128.71	127.15	−0.2	4.35	149.05	128.48	125.97	128.95	127.45	156.48	125.70	137.45
New Zealand (14)	44.01	−1.9	37.68	37.10	37.80	42.51	−2.2	6.46	44.86	38.67	37.91	38.81	43.46	54.64	41.18	45.37
Norway (24)	169.58	−0.6	145.20	142.95	145.65	149.55	−1.2	1.71	170.62	147.07	144.20	147.61	151.34	223.24	157.08	195.38
Singapore (38)	206.92	−0.2	177.17	174.42	177.71	157.91	−0.1	2.18	207.34	178.72	175.24	179.37	158.14	228.43	151.63	184.01
South Africa (61)	228.20	+0.4	195.39	192.35	195.99	178.46	+0.4	2.82	227.21	195.85	192.02	196.56	177.69	271.99	173.00	198.31
Spain (51)	150.41	−0.1	128.78	126.78	129.18	119.01	−0.7	5.05	150.50	129.72	127.19	130.19	119.88	171.12	131.61	160.71
Sweden (25)	190.37	+1.8	163.01	160.47	163.51	168.67	+0.9	2.77	186.99	161.18	158.04	161.77	167.13	204.12	146.80	186.29
Switzerland (59)	98.98	+1.2	84.75	83.44	85.02	92.08	+0.3	2.21	97.85	84.35	82.70	84.66	91.85	104.22	82.17	92.90
United Kingdom (233)	170.36	+0.8	145.89	143.61	146.32	145.89	+0.2	5.11	168.94	145.62	142.76	146.13	145.62	187.44	156.27	172.91
USA (523)	166.65	−0.3	142.69	140.48	143.13	166.65	−0.3	2.94	167.09	144.02	141.22	144.55	167.09	171.66	125.95	152.25
Europe (808)	141.28	+1.0	120.97	119.09	121.35	121.86	+0.2	4.00	139.94	120.63	118.27	121.07	121.56	151.52	125.50	138.05
Nordic (100)	174.81	+0.8	149.68	147.35	150.14	148.30	+0.0	2.21	173.35	149.42	146.50	149.97	148.30	200.81	155.55	180.47
Pacific Basin (717)	112.04	+0.6	95.93	94.44	96.23	94.96	+0.3	1.32	111.39	96.02	94.14	96.37	94.64	145.92	109.89	136.83
Euro – Pacific (1525)	123.97	+0.7	106.15	104.49	106.47	106.30	+0.3	2.54	123.05	106.07	103.99	106.45	105.99	147.66	121.29	137.67
North America (638)	164.35	−0.2	140.72	138.55	141.18	182.94	−0.2	2.95	164.72	141.99	139.23	142.53	183.33	169.69	125.91	151.19
Europe Ex. UK (575)	123.18	+1.0	105.47	103.85	105.82	107.67	+0.3	3.23	121.93	105.10	103.07	105.51	107.36	129.80	103.58	117.01
Pacific Ex. Japan (244)	158.19	−0.1	135.45	133.37	135.88	140.63	−0.2	3.83	158.33	136.48	133.83	136.99	140.94	158.33	111.40	135.73
World Ex. US (1719)	126.39	+0.7	108.22	106.56	108.56	108.63	+0.3	2.55	125.50	108.18	106.08	108.58	108.33	148.16	122.32	138.61
World Ex. UK (2009)	136.03	+0.3	116.47	114.67	116.84	124.55	+0.0	2.43	135.68	116.96	114.68	117.39	124.49	150.58	120.06	139.18
World Ex. So. Af. (2181)	138.44	+0.3	118.54	116.71	118.92	126.10	+0.1	2.70	138.01	118.96	116.65	119.41	126.03	153.05	122.92	141.83
World Ex. Japan (1769)	157.01	+0.2	134.44	132.36	134.88	147.25	−0.1	3.34	156.73	135.09	132.47	135.61	147.35	161.90	126.69	146.34
The World Index (2242)	139.02	+0.3	119.03	117.19	119.41	126.57	+0.1	2.71	138.58	119.46	117.13	119.90	126.50	153.70	123.28	142.17

Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

JAPANESE FINANCIAL MARKETS

SECTION III

Friday March 27 1992

The atmosphere is so gloomy in Japanese financial markets that bad news has lost the capacity to surprise. There was hardly a ripple of reaction when the Nikkei index hit its lowest point in five years. But, writes Stefan Wagstyl, there are a few glimmers of hope amid the recession

Toiling in the rubble

JAPAN'S financial companies are labouring among the ruins after the collapse of the boom of the 1980s.

Some are being crushed by the weight of the debt and over-priced assets they bear. Others are trying to forage in the rubble. Many more are keeping their heads low, hiding in the cellars waiting for the day when it is once more safe to venture out.

The atmosphere is so gloomy that bad news has lost the capacity to surprise. Financial scandals barely raise eyebrows. There was hardly a ripple of reaction when the Nikkei index this month fell through the 20,000 level and hit its lowest point in five years. "There are no buyers in the market right now, only sellers. This year will be tough, just like last year. The next few years will also be tough," says Mr Koji Hoshi, a research director at Daiichi Life, the life insurer.

The main hope is that the authorities will lower interest rates and increase public spending to stimulate the sagging economy and bring back confidence into the markets. But, while the real economy might well respond to such treatment, it is not clear that the financial markets would also spring back to life. Bankers and brokers are haunted by the shades of the 1960s when the stock markets fell into a deep recession even though the economy grew at a record rate.

The effects of the financial slump are not altogether bad – companies are being forced to restructure to achieve greater profits from core businesses, instead of relying on capital gains to bail them out. They need time to restore their scandal-tainted public reputations. Also, businessmen must come to terms with 10 years of financial deregulation. Moreover, Japanese financial companies' international competitors also face severe problems, particularly in the property market.

As Mr Yoh Kurosawa, the president of the Industrial Bank of Japan, says: "The situation in the Japanese property market is serious, but it is much better than New York, or London, or Melbourne."

But many executives are too preoccupied with the short-term to look far ahead. The biggest problem is dealing with those investors who bought high-priced assets – chiefly stocks and land – they can no longer afford to keep.

Bankruptcies are mounting – companies which went bust last year left debts totalling Y8,000bn, four times higher than in 1990, according to Teikoku Databank, a credit research agency. It estimates 1992 could see a further 100 per cent increase.

Published bankruptcies are the tip of the iceberg. The largest among them – Ms Nui Onone, an Osaka restaurateur and stock investor, who was arrested for forging deposit certificates – owes Y410bn. This is dwarfed by a contingent of over-extended international property groups – including Shuwa, EIE International which each owe over Y1,000bn.

Among lenders, the most exposed are financial companies, which were often prepared to grant credit to borrowers rejected by banks. Teikoku estimates that some Y30,000-Y40,000bn of finance company debt to property companies may be hard to recover.

This does not put the banks in the clear, since many of the most aggressive finance companies are bank affiliates, such as Kogin Lease, which is tied to the Industrial Bank of Japan.

The burden is already pushing smaller banks into forced marriages with big groups. The Bank of Japan is doing its utmost to arrange mergers to prevent even a single bank failure. It denies categorically that the health of the financial system is in doubt.

But even if the survival of large institutions is not in question their ability to serve borrowers is. Dealing with bad debts is absorbing capital and management time, leaving less aside for new opportunities. Also, since Japanese banks count part of their stock holdings as capital, the decline in equities is also eroding their capital.

They have successfully boosted their reserves by raising subordinated debt but this is a temporary solution. The only long-term answer is to improve the profitability of the basic business, for example, by increasing loans spreads.

Stockbroking companies are in an even worse position. Banks at least have some good new businesses to develop, such as consumer lending. But the collapse in equity trading has robbed the securities industry of its main revenues. The settlement of post-boom disputes with investment clients has also brought brokers heavy losses.

For the year to the end of this month, 10 of the top 14 brokers have forecast pre-tax losses, including a Y34bn loss at Yamaichi Securities, the weakest of the Big Four companies. Smaller houses are already being taken over in rescue deals. The longer the recession lasts, the more likely it is that some larger companies will suffer the same fate.

Financial companies are cutting costs. Advertising and entertainment budgets were the first to suffer. Next, came computer investment bills. Now, smaller companies are closing offices, including high-cost foreign outposts. Stockbrokers, the worst-hit businesses, are slashing recruitment – even Nomura Securities, the strongest group, is reducing its graduate intake – from 1,525 last year to 1,000 in 1992 and possibly as few as 500 in 1992.

For the moment, Japanese industry does not feel starved of funds. With the economy slowing, inventories are being run down and investments postponed. Companies are running down the cash reserves they accumulated in the 1980s but the levels are still high by past standards – according to the Bank of Japan, the ratio of corporate liquid reserves to monthly sales stood near the end of last year at 1.7, down from a peak of 2.0 but well above the average of the early 1980s of 1.2.

Where companies are cutting capital investment it is usually not because of fund-raising problems, but because of their gloomy views of product markets.

It follows that further cuts in interest rates could have less impact on the real economy than the Bank of Japan might hope. As Mr Masashi Kojima, the president of Nippon Telegraph and Telephone, Japan's largest company, says: "Interest rates coming down will not stimulate the economy because there is an underlying lack of demand."

Slow growth would prolong the recession in the financial markets. Financial institutions have always in the past relied on growth to pull them out of trouble by creating opportunities for even bad assets to be sold off. This time, the stock and property markets seem so weak that the possibility of large-scale asset sales seem remote.

Yet, there are are a few glimmers of hope. Even though the stock market has fallen through the 20,000 level, it has not dropped far below its range of the past 18 months. Even though few stockbrokers predict a strong recovery from these levels, prices might, perhaps, fall no further.

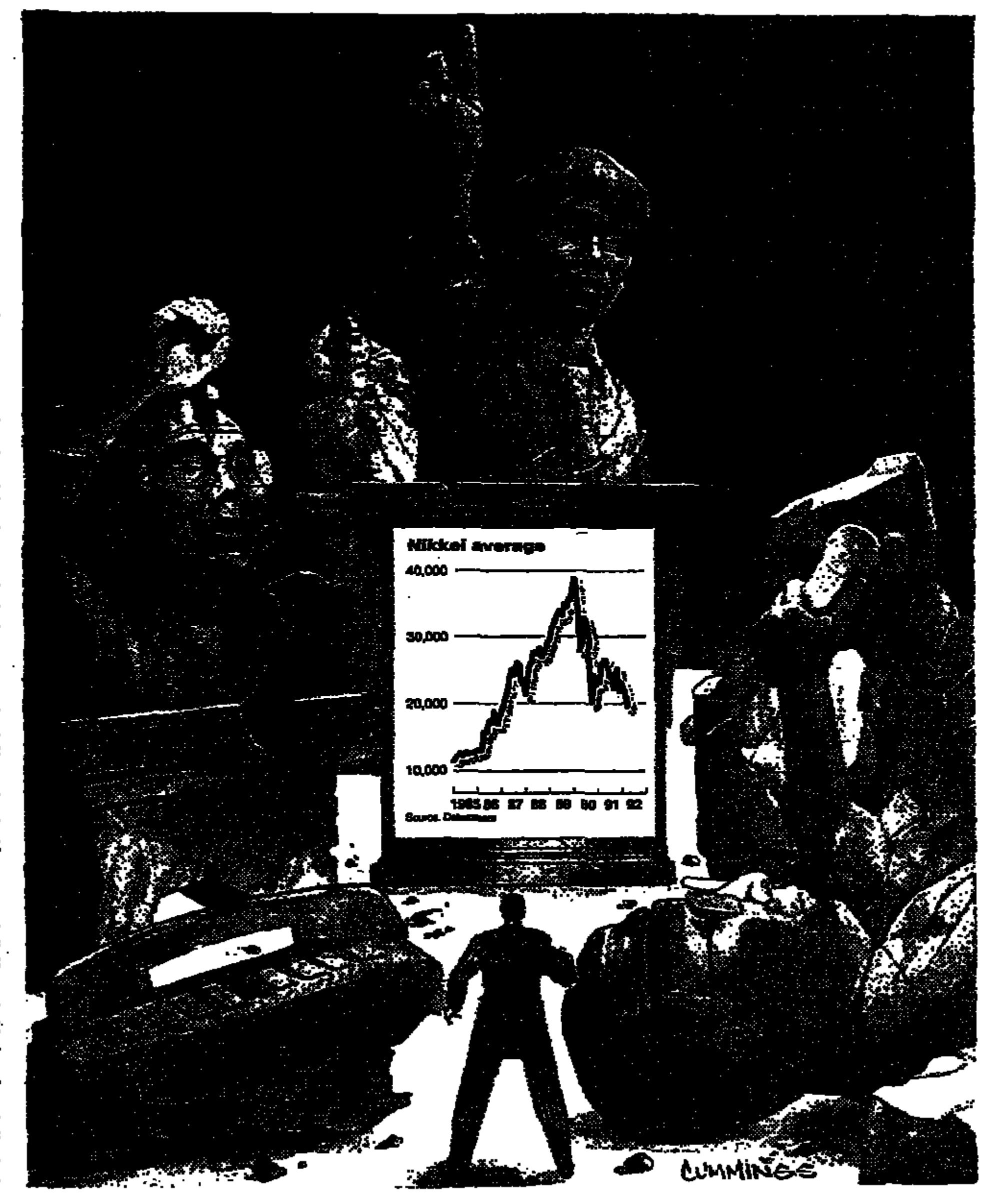
Similarly, parts of the property market show signs of life. After falling 30 per cent or so, prices may have stabilised in areas where there is real demand from users. Estate agents are reporting interest from potential buyers of small flats.

The other positive sign, is that the authorities have, so far, done very little to prop up the markets. At the ministry of finance, officials insist that market forces must be allowed to rule. They remain committed to a programme of further financial liberalisation – which includes lowering the barriers between banking and stockbroking and more interest rate deregulation. Meanwhile, at the Bank of Japan, Mr Yasushi Mieno, the governor, refuses to accelerate his plans to cut interest rates.

There is an element of bluff in the authorities' position. To prevent others from panicking, they must stay ultra-calm themselves. But, it is worth remembering that these are officials brought up in a strong interventionist tradition. The fact that they have so far resisted the temptation to act, indicates they hope financial companies can cope with the problems themselves.

This hope may prove to be misplaced. For example, the authorities are finding it difficult to persuade big banks to bail out Toyo Shinkin, the small Osaka bank which was involved with Ms Onoue. A rescue package will almost certainly have to be topped up with public funds.

However, it is a long way from one or two rescues, or even 10, to a more general crisis of confidence in Japan's financial markets. Whether the current financial recession might turn into such a crisis is impossible to say. But for the moment it seems unlikely.



IN THIS SURVEY

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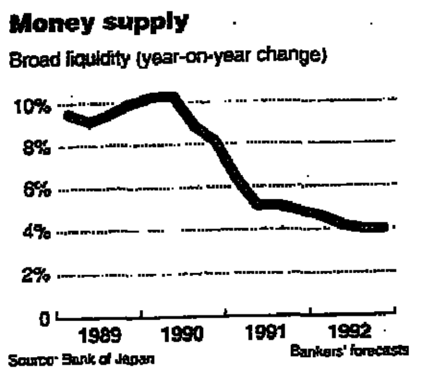
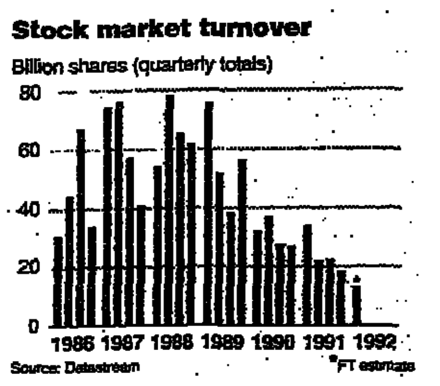
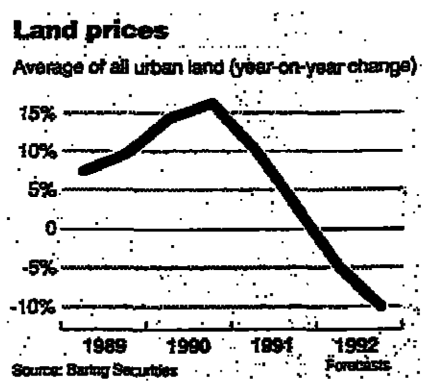
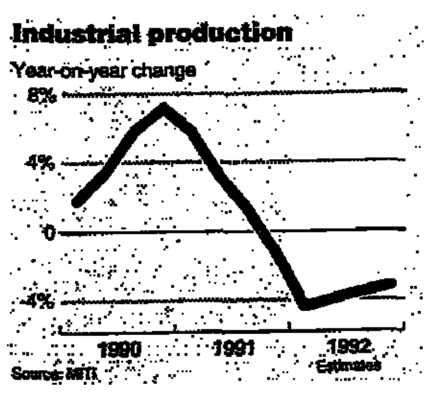
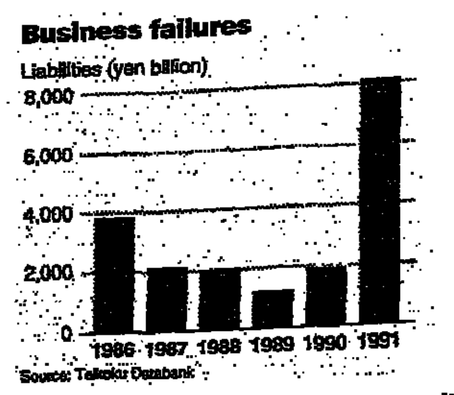
JAPANESE FINANCIAL MARKETS 2

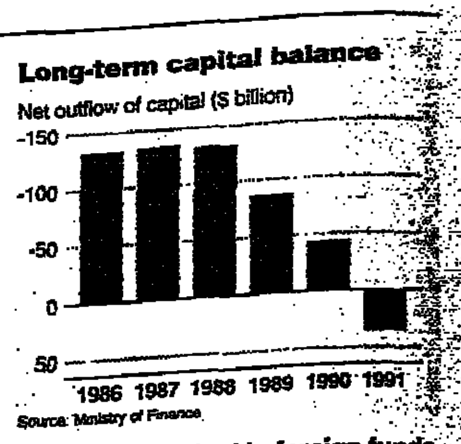












As interest rates rose and the money supply plunged.......so the stock and land markets slumped.......the economy slowed, bankruptcies soared.......and Japan, once the world's largest capital exporter, sucked in foreign funds

The bond market has enjoyed something of a surge, writes **Simon London**

Slower pace pleases dealers

WHILE the Japanese equity market has suffered declines in trading volume and prices over the past year, the bond market has enjoyed something of a surge. Falling interest rates and an improving inflation outlook have contributed to a rally in Japanese government bond (JGB) prices. Bond yields at the 10-year maturity have fallen from a high of 8.72 per cent in September 1990 to around 5.4 per cent.

While the rally has been based squarely on domestic economic fundamentals, overseas buying of JGBs has added an extra zest to the rise in prices. Last year overseas investors bought a net $21bn equivalent Japanese bonds, following a hefty $17bn injection of cash in 1990.

However, like the equity market, the Japanese government bond market has seen a spectacular collapse in trading volume from the inflated levels of the late 1980s. Last year average daily volume in the cash market ran at around Y4,000bn – *only around half* the level of 1987.

But where equity market participants see the decline in trading volume as a threat to market stability, bond market participants are generally pleased to see a less frenetic pace of activity.

The decline in volume is almost wholly attributable to a decline in proprietary trading by the big securities firms and banks. Investors have stayed in the market and the commissions of brokers has been largely protected.

The big Japanese banks and securities companies still take large positions in the market. Daiwa, which accounted for around 15 per cent of all market turnover last year, estimated that around 40 per cent of its cash market activity is related to proprietary trading.

However, the number of active players has declined and with it the volume of trading on intermediaries' own accounts. At the peak of the market there were 25 banks with active JGB operations and 30 securities firms. Dealers estimated only a dozen securities firms and perhaps four banks were now active.

Overseas buying of Japanese government bonds has added a zest to the rise in prices

The decline in large position-taking has changed the behaviour of the market. "In the past dealers were only interested in whether Nomura was buying or selling on any given day. Now the JGB market has become more rational," commented Mr Eric Miller, head of bond futures at Barclays de *Zoete Wedd in Tokyo.*

The decline of market volatility has been accelerated by the development of financial instruments which allow intermediaries and investors to hedge bond market positions. Market participants can now *choose* from listed bond futures, over-the-counter options and options on futures.

By far the most popular derivative financial product is the 10-year bond futures contract listed on the Tokyo stock exchange, which trades an average of 2m contracts a month. Open interest is at present Y15,000bn.

As with the cash market, futures trading volume has declined as speculative money has left the market. Open interest in the 10-year bond future reached Y18,000bn in 1989. Ten-year futures trading volume is down by around 30 per cent on its 1989 peak.

The concentration of cash and futures trading activity at the 10-year maturity is seen as a weakness by many market participants. The designated "benchmark" 10-year government bond issue attracts 99 per cent of all cash market volume.

Investors do not have access to a liquid financial instrument through which they can manage exposure to medium-term interest rate risk. Intermediaries can not easily undertake arbitrage trading by, for example, taking a short position in a non-benchmark government bond issue.

The lack of arbitrage trading *between different maturities* can lead to prolonged pricing anomalies which would soon be closed in other markets.

Some of the structural shortcomings of the Japanese bond market may be apparent to investors at the present time.

The best of the bull market in 10-year Japanese government bonds may now be over. While economists are anticipating at least another half point cut in official interest rates, bond yields at the benchmark 10-year maturity are probably close to bottoming out. Many investors are looking to switch into shorter-dated bonds, but are struggling to find appropriate liquid instruments.

Japan is also notable for lacking a developed corporate bond market – something that bankers are keen to remedy.

In the past, most Japanese companies have raised debt finance either from banks or in the international bond market, not least because the fees of underwriting firms were lower.

But new practices have emerged and fees are being trimmed. Last autumn, Nippon Telegraph and Telephone launched the first Japanese domestic bond issue sold to investors under the fixed price re-offer mechanism favoured in the international bond market.

Companies are also being allowed to issue shorter maturity bonds. In the past, only corporate bond issues over five years maturity received regulatory approval, a policy designed to keep the shorter maturity funding market free for banks. In January last year, Chugoku Electric launched the first four-year domestic bond issue by a Japanese corporation. *Earlier this year Tokyo* Electric Power launched the a three-year issue.

The combination of new techniques, lower fees and more flexible maturities is likely to attract more Japanese companies to the domestic bond market in favour of the international market.

Formidable obstacles to the development of a liquid corporate bond market do remain, however. For example, clearing and settlement of corporate bonds remains cumbersome. Banks and securities firms have yet to agree on how a new streamlined system would work.

STOCK MARKET

More call for change

CALLS for radical change in the structure of the Japanese stock market are no longer the preserve of foreign analysts.

The persistent weakness of stock prices is leading even those close to the heart of the system to question whether a rally can be sustained without a change in the attitude of Japanese companies and investors towards equity investment.

Last year, many market participants were anticipating a cyclical upturn in equity prices as lower interest rates fed into an improved economic outlook and increased buying of equities by domestic investors.

Foreign investors shared this view, pumping $46bn into the market last year at a time when most domestic investors remained on the sidelines.

Yet even though short-term interest rates have been cut to 4.5 per cent, from 6 per cent in 1990, equity prices remain in the doldrums. The Nikkei index closed below 30,000 on March 16 for the first time since February 1987.

There is a perception that the equity market has never found a level at which an equilibrium of buyers and sellers provides a foundation for recovery. "Tokyo stock prices were never allowed to hit bottom," argued Mr Gilles Piard, president of Société Générale *in Tokyo. "We are now caught* in the silt."

The main target for domestic criticism is the low level of dividends paid by Japanese companies. Even after a near 50 per cent fall in share prices since 1989, the Tokyo stock market yields just 0.7 per cent.

The Japanese Securities Dealers Association recently issued guidelines which would prevent companies which pay out less than 30 per cent of earnings in dividends from issuing more shares raising equity-linked finance.

In the absence of dividend income, the only incentive to buy Japanese equities is the prospect of a large capital gain. Since there is now deep uncertainty about the prospect for share price appreciation, domestic buying of equities has almost ceased.

Daily turnover on the Tokyo stock exchange now averages around 200m shares, well below the peak of 1,700m shares a day in June 1988.

Yet the low level of dividends may only be a symptom of a deeper malaise. Low dividends are partly the result of the system of equity cross-holdings between Japanese companies. Analysts estimate out of a total market capitalisation of Y340,000bn, only Y150,000bn is ever likely to be traded. The rest comprises long-term strategic stakes which cement relationships between corporations.

In addition, many companies diverted surplus cash into the equity market in the 1980s as a way of boosting profitability. The money was mostly invested through tokkin funds, which allow the companies to *account separately for finan*cial assets and convert the capital gain from rising stock prices into a cash dividend.

Until recently, pension funds and life assurance companies have also not demanded dividend growth. Most face only limited competition and fixed liabilities rather than pay-outs linked to inflation: Investment strategy has been geared to security rather than real dividend growth.

However, even if Japanese companies paid out all of their forecast 1991 earnings in dividends the Tokyo stock market would still yield only 2 per cent. Inflation is forecast to run at about 2 per cent this year.

Such figures have prompted calls for a change in industrial objectives away from the pursuit of market share and towards higher margins.

"Japanese companies must start to concentrate on return on equity rather than market share," commented Mr Atsushi Saito, executive managing director at Nomura. "This should be reflected in accountability and the treatment of shareholders."

Until these kinds of structural changes are achieved, the only factor likely to support stock prices is anticipation of economic recovery, a further expansion of global market share by Japanese companies and a resulting rise in share *prices. A favourite analogy* among analysts is that the Japanese economy and stock market is like a bicycle: it can only remain in balance when travelling fast. It remains to be seen whether the authorities can generate sufficient economic *momentum to restore confi*dence.

Monetary easing alone has yet to provide sufficient stimulus and many economists see the need for a substantial fiscal boost. Yet there is little prospect of an expansionary fiscal policy while government remains preoccupied with the recent succession of financial scandals. The budget before the upper house of the Japanese parliament will increase government expenditure by a modest 2.7 per cent.

Meanwhile, analysts are forecasting a 15-18 per cent decline in corporate earnings for the year to the end of March. A 6-8 per cent decline is expected for the year ended March 1993.

The squeeze on corporate profits could multiply into further stock market weakness. Liquidation corporate sector financial assets was a key factor in the fall of the Nikkei average below 20,000 as tokkin funds were wound down ahead of the year end.

Mr Peter Tasker, equity strategist at Kleinwort Benson, estimated that Y6,000 to Y8,000bn equity investments held by tokkin funds could be *liquidated* this year. This amounts to around 5 per cent of liquid market capitalisation.

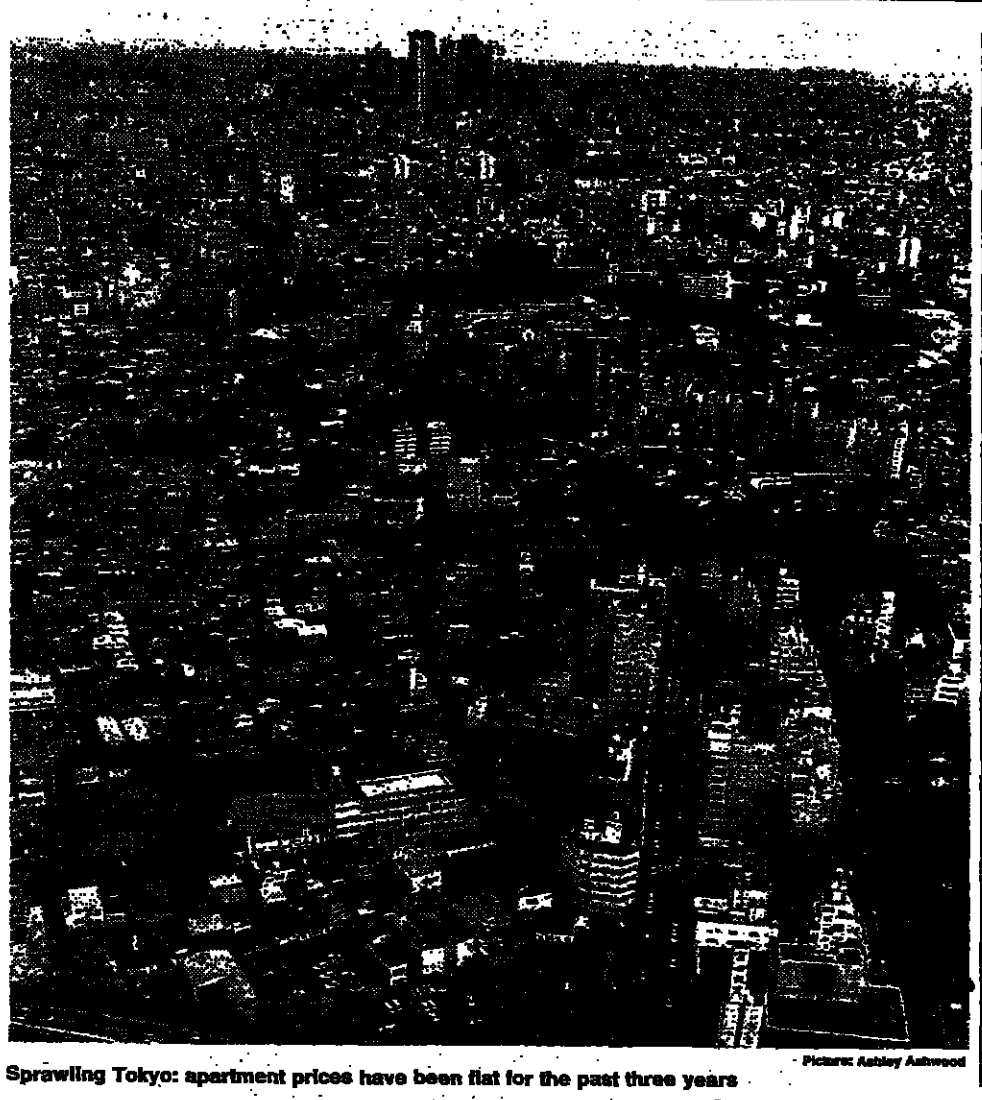
If it comes, the impact of such a liquidation will depend on whether other buyers have returned. Anecdotal evidence suggests the consistent buying *of equities by overseas inves*tors has now ceased. Against this, Japanese retail investors bought a net Y50bn equities in February, the first month of net buying since April 1991.

Many analysts do see long-term value in Japanese equities *at present levels.* Mr Peter Norton, head of research at Baring Securities in Japan, predicts profits growth of up to 25 per cent in the year to March 1994 as Japanese companies benefit from a cyclical upturn in the world economy and greater efficiency, particularly in the service sector.

Mr Norton's biggest concern is that the domestic focus has swung too far towards gloomy introspection. "The weakness of the equity market is in itself distorting perceptions of the fundamental strengths of the Japanese economy," he said.

Simon London

JAPANESE FINANCIAL MARKETS 3



Sprawling Tokyo: apartment prices have been flat for the past three years · Picture: Ashley Ashwood

Overseas investment policies are being revised, says **Robert Thomson**

Tide of funds has turned

IN THE good old days of soaring Tokyo stock prices, the easy profits to be made at home more than compensated for the risks, foreign exchange and other, of chasing yields in foreign securities markets.

The tide of funds has definitely turned, and Japanese insurance companies and banks, the leading purchasers of foreign securities, are revising their longer-term strategies. And, in the short term, they are cashing in some foreign holdings before the close of the financial year in March.

Spectacular increases in Japanese purchases during the "bubble" era of the late 1980s and the sharp fluctuations in capital flows during the past two years of financial turmoil in Tokyo have complicated the charting of Japanese investment intentions.

Each of the two eras has been characterised by leaps or plunges in investment levels and, while calmer, clearer trends are yet to emerge, Japanese institutions say that the experience has prompted a reappraisal of their holdings of foreign securities.

Mr Haruaki Deguchi, the senior manager of investment planning at Nippon Life, said his industry has been "thinking about rebalancing our assets, especially our foreign denominated assets". The likely result, he said, is that Japanese institutions will reduce the foreign securities share of their assets, which in his company's case stands at around 19 per cent, to between 10 and 15 per cent.

"We want to change the philosophy of our investments, and we want to reduce the currency risk. We will be responsible about this change, and keep the volume of foreign investments at about the same level, but because of the inflow of our new money, this level will fall as a percentage of total assets," Mr Deguchi said.

Instead, Mr Deguchi said, his industry will increase its lending to Japanese businesses, an option which has become more lucrative with higher domestic interest rates. This policy coincides with the willingness of Japanese companies to pay market rates for money, having realised the stock market's inability to digest equity issues will endure.

"We want middle level returns and low risk, and with the business loans we can get good interest rate returns and not have to worry about the foreign currency exposure. We were more interested in higher return, higher risk investments in the 1980s, but now that our cushion of hidden share profits is gone, we are more cautious," Mr Deguchi said.

Net purchases of foreign bonds peaked at $94.1bn in 1989, fell sharply to $29bn in 1990, and recovered to $68.2bn last year. The change in direction has been more dramatic in purchases of foreign stocks, which fell from $17.9bn in 1989, to $6.3bn in 1990 and $3.6bn last year. For January, net sales of foreign stocks were $2.4bn, a record, and the figure is expected to remain high in February and March.

Net Japanese purchases of foreign stocks and bonds ($bn)

	Stocks	Bonds
1986	7.0	92.4
1987	16.9	72.9
1988	3.0	85.8
1989	17.9	94.1
1990	6.2	29.0
1991	3.6	68.2

Source: Ministry of Finance

Meanwhile, direct investment also slowed last year, down from $46bn in 1990 to $31.2bn last year, the ministry of finance reported. The fall was caused partly by the difficult financial conditions at home, which have increased the cost of capital and made companies more selective about foreign exposure, particularly in property markets.

Leading property investors during the late 1980s, including EIE International and Kumagai Gumi, the construction company, have become sellers. Life insurance companies have reduced purchases, and medium-sized industrial companies which dabbled unsuccessfully in foreign property are unlikely to return to the market for a while.

Manufacturers are continuing to invest in foreign production facilities, as the labour shortage at home and the promise of lower production costs in other Asian countries, particularly southern China, remain good reasons to invest. Some companies are delaying investment plans because of falling profits at home, though, for others, the tougher conditions are an incentive to establish facilities abroad.

Acquisitions of foreign companies also declined last year, with purchases of US companies down from $11.9bn to $3.8bn, according to Ulmer Brothers of the US. Japanese takeovers in Europe rose in number from 70 to 72, though the value of the acquisitions fell from $3.9bn to $1.9bn.

Foreign bonds will remain the prime target for institutional money, but Mr Motoharu Fujikura, the director of the international capital division at the ministry of finance, said the yen's weakness over the past month has provided an incentive for companies to reduce US bond holdings.

Mr Fujikura explains the pool of life insurance funds has also been partly drained by an increase in demand for subordinated loans from banks, which are seeking to bolster capital adequacy ratios eroded by the effects of weak Tokyo stock prices on their unrealised gains on shareholdings.

"When we look at future trends, we obviously have to take into consideration the international economic situation. The insurance companies have been increasing their loans to banks, and if domestic interest rates remain high, they will increase their business loans. They are very concerned about the exchange rate risk," Mr Fujikura said.

While the level of funds invested abroad may be smaller, the sophistication of the investments will increase, according to Mr Deguchi at Nippon Life. He said that "we will have to work harder as investors", and this will mean becoming more familiar with emerging investment opportunities in Asia and Europe, and less focused on the US.

"In Asia the level of growth attracts us, but the legal restrictions on investment make it difficult. You have to worry about currency and tax regulations. That is why loans to Japanese companies are very attractive," Mr Deguchi said.

There are signs the property market will soon touch bottom

Ripples of the 'bubble boom'

IN EBISU, on the fringe of central Tokyo, the Shinozaki real estate agency is able to find tenants as soon as new apartments surface, and rents are high and still rising. But, in Osaka, Japan's second largest city, developers are struggling to find buyers for apartments whose prices have fallen 40 per cent and are still falling.

The downturn in the Japanese property prices over the past two years has been as erratic as the surge in prices during the 1980s, when speculative fever gripped investors, and office buildings, resorts and apartment blocks sprouted in ever more remote areas.

There are signs that the market will soon touch bottom, but property companies are agreed that recovery will come gradually and unevenly. Developers say that the rapid build-up of unsold apartments last year has slowed, while estate agents have noted inquiries increasing in tandem with the decrease in interest rates. Housing loan approvals in the October to December quarter rose 29,000 from a year earlier to 131,000.

There are concerns that the property debt burden inherited by Japanese banks will limit their ability to lend for new investment

But there are also concerns that the property debt burden inherited by Japanese banks will limit their ability to lend for new investment, and that ill-conceived projects begun before the market downturn will continue to appear on the market, keeping prices and confidence soft for the next year or two.

Japanese property, like the stock market, had been regarded as a safe bet in the 1980s, and even when Tokyo prices rose by 76.8 per cent in 1987, the general presumption was that the limited supply of land in the capital would ensure prices could only go higher.

Apartment prices in central Tokyo have been flat for virtually the past three years, with a fall of just over 1 per cent last year, and the most widely accepted estimate is that the price of land in Japan has fallen by an average of about 30 per cent over the past two years.

Professor Shunsuke Ishihara, chairman of the Association for Real Estate Sciences, reckons that apartment prices in greater Tokyo, including the Yokohama area, have fallen by an average of 20 per cent, while prices in Osaka have fallen by 40 per cent since the market turned sour. Meanwhile, housing starts have fallen from a peak of 1.7m a year in 1990 to 1.37m last year, and the industry expects demand will remain at around 1.3m units for the next few years.

"We simply cannot expect the same sort of development growth as the 1980s, but in the coming four to five years we will see moderate growth of perhaps 4 per cent," Professor Ishihara said. That is a more modest expectation that the 22.7 per cent growth in apartment starts in 1987.

New unit starts

Year	Total units (m)	% change
1985	1.24	4.1
1986	1.36	10.4
1987	1.67	22.7
1988	1.68	0.69
1989	1.66	−1.3
1990	1.71	2.7
1991	1.37	−19.7

Source: FT statistics

Daikyo, the leading apartment builder, has seen its stock of unsold Tokyo apartments surge from 3,000 in 1990 to 9,000 last year, but said that the scaling down of new construction plans has already slowed the build-up.

Demand for the company's new Tokyo apartments had been at around 41,500 a year in 1990, but Mr Katsuhiko Muramoto, Daikyo's deputy-president, said 26,000 apartments a year is a more sustainable level.

"There is still demand for apartments that are reasonably priced and in a good location. One positive effect of the slowdown is that costs have also fallen. Land prices are down about 30 per cent, and the construction cost is now 10 per cent lower than a year ago," Mr Muramoto said.

However, he said that the average price of a two-bedroom, family-style apartment has remained steady at around Y59m, and Daikyo is now aiming at the middle-class buyer with a budget of around Y50m rather than the wealthier client willing to spend Y100m because the demand for luxury apartments has been particularly weak in the past year.

The landscape for the office market varies by district, with the Tokyo business district still showing 99 per cent occupancy, but Ikoma Corporation, a commercial real estate broker, estimating that the rate has fallen from 99.7 to 94.5 per cent in the six months to December in one district on the fringe of the city.

Mr Ippei Itoh, Ikoma's general manager, said that the market has entered a "very interesting transition period", and that landlords in softer areas have been forced to be more flexible in negotiating deposits and rents.

"It is still a seller's market in central Tokyo, but prospective tenants are now at least able to negotiate with landlords. In the past, there was a long queue of people wanting space," Mr Itoh said.

He expects that Japanese banks' wariness of the real estate market will limit the number of new projects in the next year, and lead to a gradual soaking up of the space excess: "The banks are very conscious of their capital adequacy ratios, and they are trying to cope with bad debts now in real estate."

The ministry of finance, concerned at the banks' property exposure, had imposed curbs two years ago on lending for development in the hope of starving speculators of funds. At the same time, banks have had to assist clients by holding land off the market, and restructuring a few of their larger property developer clients.

"We are still feeling the ripples of the bubble boom," Mr Itoh said.

Robert Thomson

Stefan Wagstyl on the troubled banking sector

Dinosaur syndrome

JAPANESE banks, until recently the behemoths of international banking, today look like dinosaurs, burdened by their huge size and very uncertain about their future.

They are in a triple bind: capital is short, bad loans weigh heavily on their balance sheets and a slowdown in the Japanese economy is reducing opportunities to lend money at a profit. "We are going to have a very hard time for the coming five years or so," says Mr Tokio Inoue, a managing director of Dai-Ichi Kangyo Bank, Japan's largest bank.

Bankers say it could take five years to get over the difficulties. Borrowers at home and abroad will find credit more difficult to secure than at any time since the 1970s – and more expensive.

But the outlook is not wholly bad – the recession in Japan's financial markets is forcing banks to weed out unprofitable business and concentrate on profits. The stronger banks will remain formidable competitors in domestic and international markets. The weaker ones are in danger of losing their independence.

Also, even though deregulation has reduced the Japanese authorities' ability to control the markets, both the Bank of Japan and the ministry of finance retain considerable reserves of power. They will try to make sure even in these difficult times Japan does not suffer the ignominy of its first post-war bank bankruptcy.

Moreover, if Japanese banks are suffering, so are many international rivals, as shown by the recent credit crisis at Olympia and York, the Canadian-based world's largest property development company.

After the Nikkei index's fall below 20,000, the banks' main concern is the effect of falling share prices on capital reserves. Under rules set by the Bank for International Settlements, Japanese banks are allowed to count as capital a portion of unrealised gains on their stock holdings. The lower the market falls, the smaller the unrealised gains. At 20,000, leading commercial banks are close to the 8 per cent ratio of capital to assets which the BIS set as a minimum.

The BIS standard does not apply until next year. But banks cannot afford to wait until then to put their balance sheets in order – they must act now to cut asset growth and bolster capital. "We are standing on the edge of a cliff," says one leading banker.

For the big city (commercial) banks asset growth has already fallen from more than 10 per cent a year in the late 1980s to around 5 per cent in the year to the end of March 1992, and could slip further next year.

With the economy slowing and corporate cash levels high by historic standards, most of industry has yet to feel the squeeze. How soon the crunch comes will depend on how quickly the economy recovers.

Meanwhile, unable to raise new equity because of the stock market's weakness, banks are defending balance sheets by securing subordinated loans, which count as capital under BIS rules. The city banks have raised around Y1,700bn in this financial year and plan to raise a further Y300bn or so by the month's end. This follows Y4,000bn raised in the 1990 year.

Banks are also urgently trying to raise profitability, principally by widening lending margins. So basic business profits for the year to the end of March should rise sharply – by around 30 per cent for city banks, according to industry estimates. Pre-tax and net profits, which take account of loan write-offs, stock investment losses and other charges, will decline but not by as much as was once feared. The worst results among leading banks are likely to come from scandal-hit Fuji Bank, which has suffered losses associated with a fraudulent loan scheme. Fuji has forecast a 74.9 per cent decline in net profits to Y30bn. A poor result, but one that still leaves the bank in the black.

If the economy fails to recover as soon as the government expects, then the threat of a squeeze on credit will recede. However, this will also bring banks little relief since slower economic growth will erode customers' profits and so push more borrowers into difficulties.

Moreover, banks are also suffering from an overhang of bad and doubtful debts incurred during the speculative boom of the 1980s. Some, at least, of these loans will have to be written off against reserves – further eroding the banks' capital and reducing their ability to expand lending. As much as possible, banks will try to avoid write-offs by taking possession of land and stocks held as collateral and waiting for an opportunity to sell.

Banks keep silent about the true extent of their problems: under Japanese regulations they are not required to publish figures for the size of bad and doubtful debts. The ministry of finance may change the rules next year but even then many problem debts are expected to stay hidden. Outside estimates of the bad and doubtful loans of leading banks range up to Y20,000bn.

Some banks are much worse off than others. Long-term credit banks and trust banks generally have stronger BIS ratios than commercial banks. But their exposure to problem debtors is also bigger. For example, the Long-Term Credit Bank is a major creditor of EIE International, a debt-laden land and hotels group which recently revealed debt and asset restructuring plans.

In the past, Japanese banks have relied on economic growth to pull them out of trouble by creating opportunities to sell debt-laden assets. This time, bankers will have a long wait before they can be sure that they are free of their problems.

Estimated bad debt exposure and bank ranking by *bad debts as a percentage of loans (Ybn)*

Bank	Estimated bad debts	Bad debts as % of loans	BIS* ratios at Sep '91	Bad debt ranking
Industrial Bank of Japan	633.0	2.6	8.39	8
Long-Term Credit Bank	857.8	4.5	8.56	3
Nippon Credit Bank	947.3	8.2	8.03	1
Total	2,438.1	4.4		
Dai-Ichi Kangyo	228.0	0.7	8.38	19
Mitsui Taiyo Kobe	448.8	1.2	7.57	16
Sumitomo	439.1	1.3	8.94	14
Fuji	460.9	1.5	8.72	13
Mitsubishi	204.1	0.6	8.71	20
Sanwa	182.1	0.6	8.6	21
Tokai	329.8	1.6	8.34	12
Kyowa Saitama	210.6	1.1	8.9	17
Bank of Tokyo	165.9	1.3	8.5	15
Daiwa	90.3	0.9	9.01	18
Hokkaido Takushoku	131.5	1.9	8.8	10
Total	2,891.3	1.1		
Mitsubishi Trust	427.2	3.0	10.0	5
Sumitoma Trust	349.2	2.6	10.2	9
Mitsui Trust	581.0	4.3	10.7	4
Yasuda Trust	293.8	2.6	9.6	7
Toyo Trust	143.7	1.6	9.7	11
Chuo Trust	145.2	2.9	8.9	6
Nippon Trust	74.5	4.6	12.9	2
Total	2,014.6	3.0		
Composite Total	7,344.0	1.9		

* Bank of International Settlements

Source: Salomon Brothers

Brokers face the worst slump since the 1960s, says **Emiko Terazono**

Scandals dash recovery hopes

HOPES of a return in investor confidence toward the Tokyo stock market have been dashed by the recent scandals involving manipulation by brokers of clients' investment accounts.

The revelations of the tobashi disputes – brokers trying to window-dress clients' accounts by shifting loss-making investments – could not have come at a worse time. Japanese brokers, already battered by the sharp falls in stock prices in 1990, and deteriorating investor confidence brought on by last year's revelations of stock scandals, face the worst slump in prices and turnover since the 1960s.

Daily activity in the stock market has remained below the 300m level, as investors have continued to shun equity investments. In February, daily average volume fell to 196m shares, the lowest level since June 1982, down from more than 1bn at the height of the bull market. Analysts point out that to break even, the large brokers need at least 300m shares, while for the medium and smaller brokers, the figure rises to 500m to 700m.

The Big Four brokers – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – recently revised down their profit forecasts for the year to March. Only Nomura managed to maintain net profits. Yamaichi and Nikko have been hurt by the market slump, and Daiwa, which expects to be in the black at the pre-tax level, is forecasting a net loss of Y43bn due to extraordinary losses of Y72bn from the tobashi scandals.

However, problems at the Big Four, which have corporate underwriting business as one of their main pillars of business, are not as severe as those at the medium-sized brokers, which rely heavily on brokerage commissions.

Of Japan's 260-odd brokers, the medium-sized brokers, which invested heavily in computer networks and increased overheads to maintain competitiveness, have been hit the hardest. Nine out of 10 the ten second-tier brokers expect earnings losses on both pre-tax and after-tax levels.

Since costs on capital investments are fixed and staff cuts are not normal practice in Japan, the brokers have resorted cutting expenses such as advertising and entertainment, closing branches, and selling off real estate holdings.

Takagi Securities, a medium-sized broker listed on the second section, recently announced the closure of its London-based affiliate. Larger second-tier brokers, such as New Japan Securities and Sanyo Securities, have started to close domestic branches.

Yet, cost-cutting schemes are not as drastic as one may expect. Analysts point out that such moves will not be enough to compensate for the sharp declines in revenue. "Brokerages don't have much fat on them, thus there isn't much room for cost-cutting," says Mr Robert Zielinski, financial analyst at Jardine Fleming.

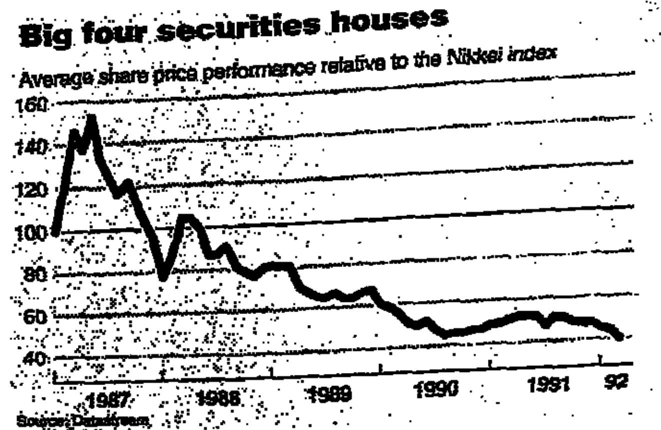
With an increase in competition due to financial liberalisation slated for next year, where barriers between the banking and securities industry are being eased, restructuring of the securities industry seems unavoidable.

However, Mr Zielinski says as long as companies refuse to cut staff, rationalisation of the industry brokers will occur when some securities companies fail. "There is no use in combining two small losers into one big loser," he says.

While small brokers in the UK and US operate in niche markets, Japanese brokerages are not specialised, and for most brokers, the bulk of operations are concentrated in Tokyo. In a desperate attempt to survive, brokers have tried to attract individual investors back into the market by promoting long-term stock investments, rather than increasing turnover by telling investors to buy and sell stocks on a short-term basis.

Big four securities houses

Average share price performance relative to the Nikkei index



Source: Datastream

Looking after the individual client's "portfolio" has become the trend in the industry. "We're telling customers that stocks will surely rise in five years' time," says Mr Kikuo Noguchi, managing director of National Securities.

Some analysts point out that such a strategy would not work considering the nature of the industry and the untrained salespeople. Volume in the late 80s was generated by the Big Four promoting issues they had underwritten using "themes". The brokers would think up a theme which would give a reason for a stock to rise. The theme would be used to orchestrate buying among institutional investors, and also to convince individuals to commit funds to the market.

Picture: Ashley Ashwood

Tokyo stock exchange: battered by the sharp falls in prices

However, such techniques are now frowned upon by authorities, and investors are becoming more concerned about the real "value" of their stock investments, such as price earnings ratios and dividend ratios.

"Using themes is the only way the Big Four brokers know how to sell stocks, and following the Big Four is the only way the smaller brokers know how to do business," says Mr Kiyoshi Nikami, senior economist at Japan Securities Research Institute. Mr Nikami says smaller brokers are even starting to grumble that the present slump has been brought on by the lack of thematic trading generated by the Big Four.

Futures and options trading has also been blamed as another culprit of the market slump by smaller brokers. Initial resentment that heavy activity in the futures markets was distorting the thin cash markets, was focused on foreign brokers who have been generating profits by actively trading the futures and options markets.

Tensions between foreign houses, which are leading players of the derivative markets, and financial authorities are rising as authorities try to curb derivatives trading through restrictive measures.

Mr Atsushi Saito, executive managing director at Nomura Securities, says that the reactions of the Japanese brokers and authorities is unavoidable. "If Japanese brokers were making huge profits in New York while US houses were losing money, what would happen?" he asks.

INVESTMENT OF CASH FLOW[1] (Y'000bn)

	Total securities[2]	Foreign securities	Domestic equities	Domestic bonds	Of which govt bonds	Loans	Property	Cash and others	Actual cash flow 1991	Actual cash flow 1990
Trust accounts[3]	2.3	2.1	−0.6	0.7	−0.3	2.6	0.3	−0.6	4.6	4.6
Securities investment trusts	−3.6	1.8	−3.9	−1.5	−0.9			−3.8	−7.5	−5.7
Insurance companies	4.5	0.3	3.4	1.8	0.8	6.4	0.6	3.1	14.6	18.6
Life insurance	4.0	0.2	3.0	1.6	0.7	6.0	0.4	1.7	12.2	16.0
Non-life insurance	0.4	0.1	0.3	0.2	0.0	0.4	0.2	1.4	2.4	2.5

1 Cash flow may be defined as the difference between outstanding assets at the end of the month with the previous month. It includes valuation. 2. Total bonds figure includes bonds held for trading, which are not included in the other three categories of bonds. 3. Any type of trust account held by a trust bank.

Source: UBS Phillips & Drew

Emiko Terazono discusses the investment policies of institutions

Giants face up to reality

JAPAN'S institutional investors, once seen as the formidable giants moving international and *domestic financial* markets, are now being forced to change due to the stock market slump and ongoing financial deregulation.

Fund managers operating institutional funds, for the first time in the postwar period, have started to consider performance, responding to changes in investor attitudes.

Mr Haruaki Deguchi, *senior* official of financial and investment planning at Nippon Life, Japan's largest life insurer, describes the changes in the life assurance industry as "a weird child finally growing into a normal adult".

Inflow of new money at the life insurers has declined as individual investors are offered *more investment products* giving returns in line with market rates. The amount of new money, which grew at rates as high as 20 per cent in the years of loose credit of the late eighties, because of the diversification of investment products, has halved to about Y140,000bn for the fiscal year ending March 1992.

The companies also face the decline in unrealised gains on stock holdings as share prices have plunged. In addition, the industry, one of the most heavily regulated financial industries, faces liberalisation, where *dividends* offered to policyholders will be deregulated.

Along with dividend deregulation, a rule which forbids insurers to pay annual dividends to policyholders from *capital gains is also likely to be* abolished.

Japanese life insurers fund their dividend payouts with yields from bonds and real estate, interest from loans and dividends from stocks. However, the ministry of finance, *to increase* equity purchases, allowed the life companies to include capital gains on tokkin – specified money trusts. The insurers are also allowed to count the coupon on foreign securities as returns, rather than the actual yield after the bond has been hedged for currency movements.

Insurers reckon that while *returns on investments total* only 5.5 per cent at the most, dividends on policies are around 6.5 per cent. Until now, the insurers covered the 1 per cent loss by realising gains on long-term shareholdings.

Inflow of new money at the life insurers has declined as individual investors are offered more products

This system, however, has become *an increasing* burden on the insurers due to the sharp falls in the stock market. Mr Deguchi claims that unrealised gains have declined to 60.6 per cent of the 1986 figure.

From now on Mr Deguchi says insurers will evaluate investments by its net total returns – which until now, the industry did not find necessary.

This year, Nippon Life plans to invest 40 to 50 per cent of new money into corporate loans and 10 per cent into domestic bonds, and 30 per cent into short-term money *markets. High-risk investments* will be kept at a minimum level, with investments in equity, real estate and foreign securities each totalling 5 per cent of new money at most.

Mr Deguchi says Nippon Life is aiming to reduce its 30 per cent exposure of outstanding investments to real estate and stocks to zero per cent in the next few years.

Meanwhile, the stock investment trusts' redemptions have recently slowed down. Last year, the stock market slump prompted pre-maturity redemptions of stock funds, pushing up redemptions 2.4 times.

The net asset value of equity and bond investment trust funds fell 9.8 per cent last year with net assets of stock funds down from Y35,077.2bn at the end of 1990 to Y28,562.4bn.

Individuals, who are unable to afford to trade directly in shares, originally preferred to invest in trust funds. However, even at the height of the bull market, returns have not exceeded the rise in the market, since the objective of the funds has not been to outperform the stock market, but to offer a better return than that of bank deposits.

The 16 *investment trust companies*, tied with securities houses, have been ideal buyers for the unwanted shares brokers had underwritten.

However, the weakness of stock prices and deteriorating confidence towards the securities industry has prompted a change in investors' attitudes. Investors, both institutional *and individual, are shunning* the unit-type, or closed-end type trust, which can be redeemed only after a designated period of time, and are turning to the opened-end fund, which can be withdrawn *on demand without penalty.*

According to UBS Phillips & Drew, open-end funds now comprise 35 per cent of stock fund assets, compared to just 10 per cent in 1988. Since open-end funds invest an average 70 per cent in equity compared to half that for closed-end funds, the industry's exposure to equity investments is expected to increase.

Japan's pension funds, jealously guarded by life insurers and trust banks, are also facing *slow but sure signs* of change. Total assets of private pension funds grossed Y38,500bn last year, and is expected to hit *Y100,000bn* by 2000. Public pension and mutual aid programmes hold Y113,000bn in assets.

Although the life expectancy in Japan is the longest in the world, and the population is ageing rapidly, the country's pension schemes lag in quality of management.

The recent appointment by Nagasakiya, a leading retail chain, of Invesco MIM, the UK asset management company, to manage a portion of its pension funds, surprised the industry, as Japanese companies tend to choose fund managers *on shareholding and other* business relationships.

Nagasakiya, however, said its decision was performance-oriented. Such choices are likely to increase in the near future once the schemes start maturing and payouts increase. "Japan's pension funds will have to start to make return oriented investment *decisions," says a life* insurance company official.

The entry of asset management companies into the industry in 1990, and foreign asset managers last year, has also increased the availability of *performance-based competi*tion. The Pension Fund Association recently set up a committee to review returns on pension fund managing.

Simon London looks at foreign stockbrokers and banks

Profits are still flowing

WHILE most Japanese financial institutions are struggling to break even, foreign banks and securities companies in Tokyo claim to be making a healthy profit.

In some areas foreign institutions have benefited from the weakness of domestic players. For example, foreign banks were able to increase lending to blue-chip Japanese corporations as the domestic banks cut back on asset growth. However, unlike their Japanese rivals, foreign banks and securities *firms have not pursued* market share as a strategic objective. Many are now reaping the benefits of strategies which emphasised high margins in favour of high volume.

For example, foreign banks have never taken more than 3 per cent of the corporate loans market in Japan. By the end of last year market share was *probably close to this historic* high, but is now declining as foreign bankers become more cautious about credit risk.

*Bankers reject the sugges*tion that there is any problem gaining access to the corporate loans market. "There is business out there for any bank which wants to lend," commented Mr Gerard Jeannin, head of Tokyo operations for Banque Indosuez, which has a corporate loans book of around Y250bn.

But foreign bankers agree that there is little money to be made directly from lending to Japanese companies. Loans are made only where the borrower is likely to buy other banking services: foreign exchange, *treasury hedging products and* structured finance.

There is no syndicated loans market in Japan. The exact terms of loans depend on the relationship between borrower and lender. However, bankers said that good quality Japanese corporations were now paying 70-80 basis points over interbank rates for medium-term loans – *at least double* the levels of the late 1980s.

However, there are no commitment fees standard in the US and European syndicated loans market. Return on capital remains relatively low.

Moreover, bankers said that lending margins had already peaked and were now tightening slightly. As in the UK and US, demand for loan finance is subdued as companies cut *investment plans and liquidate* financial assets.

In the securities markets, foreign firms have also avoided *head-on competition for high-*volume business. Instead they have emphasised product diversification, which in most cases is shorthand for building expertise in futures, options and other derivative financial products. Over the past year the strategy has been successful, particularly for firms which have made aggressive *use of their own balance sheets* for index arbitrage.

In the six months to the end of September, the most profitable foreign securities operations in Tokyo were Salomon Brothers and Morgan Stanley. *Both firms are active* users of the futures market for index arbitrage trading.

Their results were only bettered by Nomura and Daiwa, the two giants of the Japanese securities industry. For the full year the contrast in fortunes will probably be even greater. All the big Japanese securities firms except Nomura have *forecast a deficit.*

However, the contrast of styles and trading strategies has created conflicting interests which threaten to sour relations as the Japanese authorities cast around for ways to stimulate the financial markets.

Daily trading volume on the Tokyo stock exchange averaged fewer than 200m shares in February. At the peak of the *bull market* in June 1988 trading volume reached 1,770m shares a day.

Combined with lower com*mission charges, the total* commission income of brokers in Japanese equities may only be 20 per cent of the level of 1989. Mr Atsushi Saito, executive managing director of Nomura, estimated cash trading volume of 500m-700m shares a day is required for domestic market participants to break even.

Recent moves to stimulate cash trading volume are likely to squeeze the profitability of many foreign securities firms. In March, the authorities increased futures commission charges on the Osaka securities exchange, where the Nikkei 225 stock index future trades.

Mr Hideaki Yamashita, director of international affairs at the Tokyo Stock Exchange, said futures commissions had been raised to iron out volatility in the cash market caused by futures-related trading.

Up to 15 per cent of cash market transactions are now *related to index futures trad*ing, which is concentrated in the Nikkei 225 contract. Cash stocks are bought to hedge short positions taken through index futures, holdings which are unwound as the futures contract expires. Cash volume *on the last day of the futures* contract is often double the average. In a thin market, these block trades can cause wide movements in the cash index.

The authorities hope that a reduction index futures trading will reduce volatility and help to attract small investors back into the equity market. This is *seen as essential by domestic* securities firms for trading volume to be restored.

However, foreign firms argue that low trading volume and volatility are factors of influences other than index arbitrage trading.

"The loss of political credibility and the possibility of panic selling are the root causes of low trading volume," commented Mr Bill Thompson, chairman of Salomon Brothers Asia.

Foreign analysts readily admit the differential between cash and futures market commissions is too wide. However, they argue cash commissions should be liberalised to stimulate trading volume.

But there is little prospect of a further reduction or deregulation of cash commissions while the domestic securities *firms are facing a severe* squeeze on operating income.

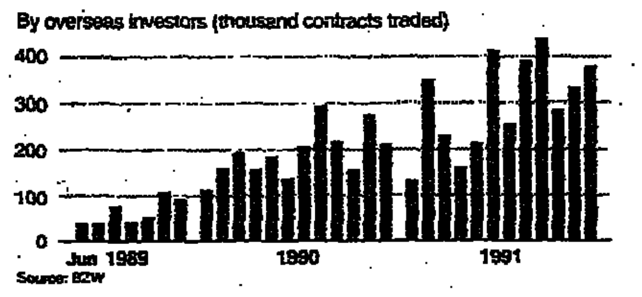
In the absence of price competition on commissions, foreign securities firms are trying to maintain profitability by other means. Active use of the derivatives markets is one aspect of this.

Most foreign firms operating in Tokyo also cite the quality *and objectivity of their* research as an important competitive advantage.

A recent poll of Japanese institutional investors by Nihon Keizai Shimbun, the financial newspaper, ranked *Mr Peter Tasker of Kleinwort* Benson the top equity market strategist.

Stock index trading volume

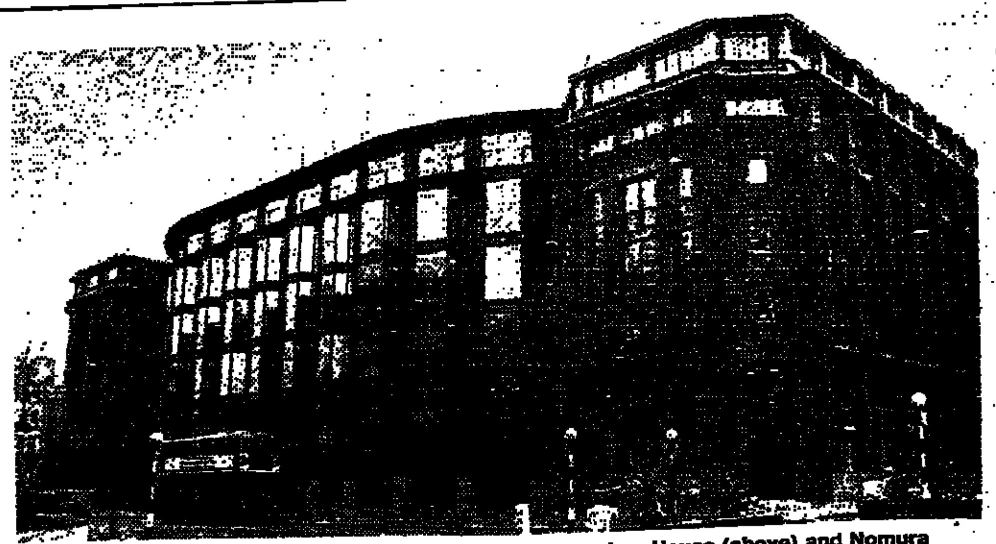
By overseas investors (thousand contracts traded)



Source: EZW

Simon London looks at Japanese financial institutions in London

Centre of European operations



Industrial Bank of Japan is moving to the redeveloped Bracken House (above) and Nomura International recently bought the freehold on the former headquarters of the Post Office (below)

WITH the domestic earnings of Japanese financial institutions squeezed by the worst financial recession for 40 years, international operations provide an increasingly important source of income.

For most Japanese financial institutions London is the centre of European operations. The long-term commitment of leading Japanese banks and securities houses to London is clear from the ambitious, and expensive, new headquarters developments either planned or only recently completed.

For example, Daiwa Securities has commissioned Richard Rogers, the modernist architect of the Lloyd's insurance building in London and the Pompidou centre in Paris, to design a new office building on a freehold site on London Wall, in the heart of the City.

Industrial Bank of Japan, is moving to Bracken House, opposite St Paul's Cathedral and the former home of the Financial Times, another prime City site.

The terms under which IBJ is leasing the 200,000 square foot building from Obayashi, the Japanese property developer which paid £130m for the site, is unknown.

However, property analysts expect the rental to be at least £70 a square foot on a 20-year or 25-year lease. This implies an investment of £14m per year.

Nomura International recently moved into a new 400,000 sq ft building, having bought the freehold to the listed former headquarters building of the Post Office in 1986.

Again the scale of the investment in the original building or the cost of subsequent refurbishment were never made public.

The leading Japanese securities houses are also making investments to break into new areas of business. Yamaichi, the fourth largest securities house, is expected to begin operations as a gilt-edged market maker before the year end, thus becoming the third Japanese firm to make a market in UK government bonds. It is pressing ahead with the investment in spite of warning that it will turn in a pre-tax loss of Y34bn for the financial year ended March 31.

Nomura and Daiwa are already among the 18 market makers in UK government bonds and have been able to find a niche in the primarily domestic market. Both operated profitably last year. Daiwa Gilts turning in a £4m profit on a capital base of just £15m.

Japanese firms last year received permission from the Bank of England to take lead management positions in sterling bond issues, although only for Japanese borrowers. The move was seen as matching recent efforts to open the Japanese securities markets to UK firms.

However, the London operations of the big securities firms have seen at least one important area of business shrink to only a fraction of its former size. International issues of equity-linked bonds by Japanese companies, mostly underwritten and syndicated in London by Japanese securities firms, were one of the great money-spinners of the late 1980s.

In addition to taking a 2.5 per cent underwriting fee on the amount raised, the bonds invariably traded above issue price as investors scrambled to buy paper linked to the booming Tokyo stock market. This presented underwriting firms with a handsome premium.

But the business is now far more sporadic. At the peak of the Tokyo equity market in 1989, a staggering $63bn was raise from warrant bond issues, mostly by Japanese corporations and mostly underwritten by Japanese securities firms. However, last year new issues amounted to $26bn, and $19bn in 1990. The deals are also more likely to trade down from issue price, eating into the return made by underwriters rather than adding to them.

However, the big securities firms have diversified into new areas of business. In spite of a lacklustre year for the warrant bond market, Nomura and Daiwa were the two biggest underwriters in the international bond market last year, with Yamaichi 6th and Nikko 7th.

With traditional sources of income under pressure, this process of diversification is likely to continue. Mr John Howland Jackson, chairman of Nomura International, said that the company plans to expand its investment banking business, including primary equity market, structured finance and securitisation activity. The company also intends to build up European equity research, distribution and trading business.

"We have no intention of cutting back on existing lines, but we are prioritising the greatest revenue growth areas, which we see as investment banking and the secondary securities business necessary to support that investment banking ambition," he said.

Nomura's appointment as global co-ordinator to the £500m-£1bn share issue planned by GPA, the aircraft leasing company, underlines the determination of Japanese firms to gain lead advisory roles for non-Japanese companies.

However, there has been a definite withdrawal by Japanese banks from participation in syndicated loans arranged in London. Officials at big UK clearing banks, which still have a pivotal position in the London loans market, report that the big Japanese banks are still active participants in large, blue-chip financings, but on nothing like the scale of the late 1980s.

In spite of the pressures in the Japanese domestic market, there is no sign yet of an exodus from London by second- and third-tier banks and securities firms. A survey of overseas firms in London by Noel Alexander Associates found three new Japanese securities firms setting up in London for the first time last year. Seven Japanese banks also opened their first London operation in 1991.

However, there are clearly pressures on the profitability of smaller banks and securities firms caused by the weakness of the domestic stock market and slowing domestic economy. In March, Takagi Securities closed its London-based affiliate, the first departure recorded by Noel Alexander, which has data going back to the early 1970s.

Financial institutions in New York

New lending cut short

FEW AMERICANS are unaware of the growing Japanese presence in their domestic economy. Japan's products have made heavy inroads into the automobile and consumer electronics sectors, much to the chagrin of US manufacturers, who are calling to politicians for help in this election year. Yet the Japanese build-up in the US financial services industry has gone largely unnoticed.

In the state of New York, which accounts for by far the largest proportion of foreign bank activity in the US, Japanese banks now have 55 branches and agencies, according to the latest data, with total assets of $244.6bn. A further 21 state-chartered trust companies bring the asset total to $272.1bn. This represents 55 per cent of all foreign bank assets subject to regulation by New York state.

As regulators are quick to point out in the wake of the BCCI scandal, the US assets of one of the big Japanese banks outstrip those of BCCI in its entirety. Bank of Tokyo, which has had a North American presence for more than a century and ranks as the largest foreign bank by any measure, boasts assets of almost $50bn in the US. The size of its commercial and industrial lending is about 40 per cent larger than the loan book of its nearest competitor.

On Wall Street, the big four Japanese securities houses have earned the respect of their domestic rivals, although it would be wrong to say that they are held in awe. While Nomura and Daiwa hold dominant positions in the underwriting of international bonds, they have remained in the second tier of the US market. Last year, Nomura took 16th place in domestic lead underwriting and Daiwa 19th, according to figures from Securities Data.

Both houses are primary dealers in the US government bond market, giving them a pivotal role in the purchase of government paper by Japanese institutional investors. Nomura, Daiwa and their smaller competitors – Nikko and Yamaichi – have also acted as a major conduit for US investment flows into the Tokyo stock market, even if these have now slowed to a trickle.

Japan's financial emissaries abroad have been unable to escape the economic and political upheavals at home. Even before the recent slide in the Tokyo market cut the value of their reserves, Japanese banks were being forced to cut back international lending to comply with new capital adequacy standards. In the US, where the Japanese share of total bank assets more than doubled in the 1980s to around 12 per cent, new lending has ground to a halt.

Quite apart from their own capital restraints, the Japanese banks have seen the US recession hit hard at their lending activities. In the real estate sector, where Japanese institutions invested heavily during the boom of the late 1980s, the impact on the banks has been particularly severe. Provisions against non-performing US real estate loans have increased substantially.

From June 1989 to June 1990, approximately the last year of the boom, Japanese banks pushed up their US real estate assets by more than 70 per cent, to just under $30bn. Among the top 20 foreign bank branches and agencies with most real estate exposure, Japanese institutions located in New York and Los Angeles accounted for all but one, according to figures compiled by American Banker.

The Japanese securities houses are also suffering from the changing climate. Faced with a declining equity market at home, Tokyo institutions are cutting their investments abroad and the flow of funds into the US government bond market is drying up. "We are seeing a fall in volume and a shrinking in margins, even though our business as primary dealers remains profitable", says a spokesman for Daiwa Securities in New York.

With some success, the big four have built stand-alone businesses in the US, reducing reliance on the Japanese market. New York has become a base for cross-border activity in corporate finance, especially mergers and acquisitions, and Nomura has acquired a significant stake in the independent house, Wasserstein Perella.

But the securities houses are also using the US as a testing ground for new financial products that may eventually find their way to Japan. Nomura, once rumoured to be keen on buying the Wall Street firm of Kidder Peabody, then hired the firm's president, Max Chapman to run its US operations. Chapman has spearheaded a drive by Nomura into derivative products.

Daiwa's spokesman defines its US business as a "periscope operation", seeking out skills and techniques that could be transplanted to Japan. Commercial paper is one activity already highly developed in the US but still a fledgling business in Japan. Daiwa is also building expertise in asset securitisation, especially in the mortgage area, with an eye on its potential back home.

The Japanese have also made some inroads into the highly competitive business of asset management on behalf of US pension funds. They have been helped by the decision of several leading funds to boost their international investments, although the securities scandals in Japan have prompted public concern on the part of some pension owners, notably the Californian Public Employees Retirement System, the country's largest.

As for the banks, their hectic growth over the past decade will probably never be repeated. That does not mean their substantial presence in the US will shrink dramatically; New York is too significant a financial centre to allow much reduction in activity and the Japanese also value their local presence.

But others take a more serious view. John Reed, chairman of Citicorp, told executives in Chicago last September that, as a by-product of the fall in the Tokyo stock market, the role of Japanese banks in the international financial system had been virtually eliminated. "They are no longer players (in the system) and one would not expect them to be players again for the next five to 10 years because of this adjustment in the value of their equity portfolios", he added.

Nigel Adam

RECRUITMENT

JOBS: First trial of subsidised self-advertising by unemployed executives was marred by human frailty

A promising scheme... and what befell it

READERS will doubtless have heard the old jingle about all the important things that fell apart because a nail dropped out of a horse's shoe. Well, meet the horse-shoe nail.

Just four weeks ago the FT was preparing to run the first trial of a scheme to help executives who've lost their jobs by providing them with a subsidised market. As first proposed by redundancy victim Peter Laurence, the plan was that employing organisations would be invited to join this newspaper in funding – say – half the cost of a regular advertising space in our pages, in which people out of work could offer their abilities at a commensurately reduced price.

Numerous readers responded to that proposal, some volunteering active help. They included several outplacement and recruitment consultants as well as Streets Direct Marketing which said it would handle the production of the ad free of charge. The trouble was a distinct lack of similarly generous responses from employers.

The only one to offer any help was Bowater, whose chief executive David Lyon said his group would sponsor a one-off trial. It would consist of sufficient space for brief self-advertisements by six jobless executives with skills specifically in business-development, at a personal cost to them of £50 apiece. The date of the trial was set for the last week of February.

After announcing the project three weeks before, I eventually received submissions of the right length from 43 suitably qualified people. Although the majority were in Britain, there were individuals from Belgium, Germany, Italy, Norway and Spain.

The six to appear were chosen at random, and the advertisement was set up. The arrangement was that it would run at the foot of the page headed by the Jobs column which, on the day, would spell out what was happening beneath. The plans were thus well laid, and ready to run.

At which point I emulated the horse-shoe nail by falling ill.

The Bowater-backed ad ran all right, and generously large it was. But no explanation of it appeared above, which resulted in grievous bewilderment among people who had not read my announcement three weeks before. Indeed the only responses received by two of the half-dozen were from fellow victims of executive cut-backs, wondering what on earth was going on.

The other four fared at least a little better. The sole overseas candidate, from Italy, had one lead. Another received two, and the remaining couple each had four.

The only thing I can see in their self-ads that might account for the differences is that the pair who were left lead-less offered no foreign-language skills, whereas the better-off quartet all did. Then again, the one speaking the most languages – the Italian with six – received only a single response.

Although even the two who had none have said they still think the scheme was worth a try, I am sorry for marring it and would like to make amends by trying again. Unfortunately, except for Bowater, no employers have shown interest in lending the necessary help. But if any should suddenly be struck with public spirit, I'll let you know.

NOW to the table alongside, giving the latest indicators of management pay in Britain as shown by the twice-yearly surveys of the Reward consultancy. The study just completed was based on information from more than 1,000 organisations of widely varied types, sizes and locations. Anyone wanting the full report, priced at £180, should contact Bill Couldrey of Reward at Diamond Way, Stone, Staffordshire ST15 0SD; telephone 0785 813566, fax 0785 817007.

Although the survey covers six levels of executives, my extracts focus on just one – those placed immediately below director. In the smallest businesses, however, they may be on the board while doing essentially the same kind of job.

The left-hand two columns of figures refer to the lower quartile manager who would be a quarter way up from the foot of a ranking of all doing similar work. The first gives the base salary, the second total cash pay including bonuses.

Rank One = *Most senior executive below rank of director in:*	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median Total money reward £	Median (Basic year earlier) £	Median (Total year earlier) £	Upper quartile Basic salary £	Upper quartile Total money reward £	% with company car
Legal advice	32,779	34,485	36,000	37,420	(35,725)	(35,974)	49,950	50,118	81.0
General management	28,682	29,452	34,440	35,640	(31,778)	(32,809)	41,328	45,000	85.1
Company secretariat	26,638	27,045	33,275	34,620	(29,700)	(30,100)	41,719	42,397	80.0
Finance & accounting	27,190	27,902	32,182	33,500	(30,000)	(30,926)	38,165	39,430	85.1
Surveying/construction	25,250	25,900	27,630	28,250	(29,000)	(29,767)	32,351	33,500	90.4
Marketing	26,415	27,129	31,725	32,753	(28,500)	(29,407)	36,474	38,153	85.0
Advertising & PR	26,500	26,500	32,139	32,139	(30,520)	(30,997)	38,500	38,610	73.2
Data processing	25,498	26,195	30,190	30,959	(27,570)	(28,235)	36,320	37,025	82.4
Sales	24,353	25,444	29,740	30,074	(26,856)	(27,500)	35,000	38,000	87.6
Distribution	24,329	25,024	30,250	31,532	(27,864)	(27,972)	36,915	37,500	87.3
Personnel	24,931	25,353	29,560	30,000	(26,433)	(27,000)	34,351	35,117	78.6
Administration	24,943	25,075	28,142	28,450	(27,000)	(27,068)	35,854	36,401	77.8
Scientific/technical dept	24,971	25,050	27,589	28,687	(24,500)	(25,000)	32,358	32,850	75.8
Planning	25,641	25,641	29,301	29,301	(25,870)	(25,945)	34,366	34,366	73.8
Research & development	24,170	24,268	27,250	28,000	(25,452)	(26,000)	32,453	34,388	75.8
Purchasing	23,271	24,247	27,547	28,000	(26,843)	(27,150)	32,331	32,922	85.0
Engineering	23,970	24,651	28,329	28,660	(26,463)	(27,000)	33,501	34,985	80.1
Management services	23,072	23,072	28,583	28,583	(26,615)	(26,718)	33,857	36,261	71.4
Production	21,886	22,050	26,000	26,812	(25,000)	(25,913)	31,135	32,001	79.6
Quality assurance	21,050	21,320	25,583	26,312	(23,658)	(24,118)	30,394	30,562	67.9
All Rank-One execs	24,748	–	29,535	–	(27,300)	(–)	35,385	–	82.3

The next four columns relate to the median manager halfway in the ranking, giving the latest salaries and total cash pay, followed by the equivalents 12 months before. Then come the new figures for the upper quartile executive a quarter way down from the top of the ranking. Lastly we have the percentages with company cars.

To allow for pay rises between the collection of the data and April 1, Reward says all cash figures should be upped by 1 per cent, with another 0.5 per cent being added for each further month from May 1 onwards.

Regional variations from the overall median salary of £29,535 were: *Higher* – London by 18.5 per cent, Scotland 8.4, and south-east England 2.5 per cent. *Lower* – Northern Ireland by 1.6 per cent, west midlands 6.9, south-west 8.6, north-west 9.0, eastern counties 10.1, and north-east 10.3 per cent.

Variances from the £29,535 by the employing company's sales turnover were: *Higher* – £100m-plus by 17.5 per cent, and £40m-£100m by 1.6. *Lower* - £15m-£40m by 6.1 per cent, £5m-£15m by 9.4, and up to £5m by 17.7 per cent.

Michael Dixon

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Límite de edad: haber nacido después del 30.04.56; Experiencia: haber adquirido con posterioridad al título universitario una experiencia profesional de nivel universitario de una duración de dos años que incluya al menos doce meses en calidad de intérprete de conferencia.	Límite de edad: haber nacido después del 30.04.59 Experiencia: poseer una formación de intérprete de conferencia o una experiencia acreditada como tal.

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ACCOUNTANCY COLUMN

Accountants are challenged to vote wisely

By Andrew Jack

WHILE FEW accountants in the UK can be unaware of the upcoming general election, none of the politicians drafting their parties' manifestos seem to be much aware of accountancy. Statements behind the policies, however, show that the issues have not been entirely neglected.

Nothing in the Liberal Democrats' "Changing Britain for good" document nor Labour's "It's time to get Britain working again" even hint at proposals related to the profession or wider issues of corporate governance.

The Conservative manifesto, "The best future for Britain", gets just slightly nearer with a single sweeping statement: "We will back the regulators of the financial services industry in their efforts to achieve high standards while keeping the rule books down to manageable size".

A different story has emerged from interviews during the past few days with Mr John Redwood, the most recent Conservative minister for corporate affairs, Ms Marjorie Mowlam, Labour City spokeswoman, and Mr Alex Carlisle, trade and industry spokesman for the Liberal Democrats.

Mr Redwood is cautiously optimistic about many of the changes that have been taking place in accounting – some as a result of legislation driven by his department, some generated by EC requirements.

"I've done what I can do, with the 1989 Companies Act and the development of the generous canopy of self-regulatory bodies created under that," he says. "We don't think the next phase of development is primarily a legislative one. It is the evolution of good practice. Government's role is to provide leadership."

He sees his job as encouraging better corporate governance, through practices such as the creation of audit and remuneration committees and the presence of non-executive directors. He says that legislation would be impractical: "You can't stop non-executive directors being the chairman's friends."

He also rules out preventing accountants from offering other services to their audit clients. He says simply that he has chosen disclosure as an alternative, referring to the existing requirement for audit fees to be published in company accounts, and the new demand from this year to show the fees from non-audit work conducted by the auditor.

Redwood resists the suggestion that he is satisfied with the mechanisms for regulation that are now in place. "We don't want to upheave all the structures again," he says. "We're happy to give self-regulation a run. I don't think we've seen the structures working long enough yet to judge. In a year's time we'll have a better idea of how it's working."

He does not rule out a rejection of self-regulation if it is judged to be not working, and says he has his eye on tightening discipline and review arrangements. "There need to be improvements in timeliness and incisiveness," he says. "In my own mind, there is no reason to suppose it will fail. There is always the threat of parliamentary intervention if it does."

He stresses that there is "work still to be done", of which the most important issue is the detection of fraud. He argues that the prime responsibility for corporate failure rests with directors. He also says that he would consider "tip-off" legislation to protect auditors and to encourage them to notify regulators if they detect fraud.

Ms "Mo" Mowlam, for Labour, has a cautious agenda, which clearly separates the party's official line from that of her honourable friend on the backbenches, Mr Austin Mitchell, who has been outspoken in his recent calls for the reform of the profession.

"Changes in accounting and auditing are central and very important," Ms Mowlem says. "There are serious problems that do need looking at. But you can't walk in and change everything in two weeks." She says that her views have been formed through discussions she has held "given the limited time and resources you have in opposition".

"We don't think the next phase of development is primarily a legislative one. It is the evolution of good practice."

She questions Mitchell's calls for the rotation of auditors, the separation of audit and consulting work, and government regulation of the profession. She wants to wait for the outcome of several reviews, including the first year of self-regulation of auditing, and the report of the Cadbury committee on corporate governance.

On improvements to the quality of financial reporting, she says she is happy with the work of the Accounting Standards Board and "quite keen to give a chance" to Mr David Tweedie, its chairman.

"The ASB as it stands is independent and beginning to work," she says. "I have no doubt of David Tweedie's independence and determination to improve the profession. I have doubts whether the profession is sensible enough to let him do it."

She argues that the independence of accountancy firms is important, but questions the effectiveness of rotating firms of auditors. She says there is little evidence that it reduces fraud and is considering instead periodic rotation of partners within a firm working on any audit client.

She is also unconvinced of the value of "quarantining" audit firms to prevent them conducting non-audit work for clients. She argues that it would narrow the focus of the profession, which could harm its ability to attract recruits and affect its competitiveness in the market for advisory services.

She adds: "I am not going to be cornered into saying I am satisfied with the present system. If things don't change some of [Austin Mitchell's] suggestions will have to be implemented."

What she wants is a review of the definition of fraud, of auditors' liability for its detection and their responsibilities to notify the regulators when it is discovered. She is also considering a requirement for a public statement on a company's internal control systems. She also calls for compulsory audit committees, greater openness among the professional bodies and the presentation of accounts in a way that is compatible with government statistical requirements.

Mowlam stresses that many issues of corporate governance essentially require a cultural shift, which presents no easy solution and cannot be dealt with through legislation.

The Liberal Democrats' Mr Alex Carlisle is keen to spell out his party's concerns. "We are determined to have a business sector in which people do not have to look for hidden, sinister aspects all the time. We need to clean up accounting. Fraud is not good for business." He sees a need to improve accountancy standards, and is particularly critical of historical cost accounting. "The methods can be very misleading," he says. "They are full of fiction. Accounts tend to be short on explanatory notes."

He questions the wisdom of rotating auditors, and says his party would prefer self-regulation work of the profession. "But we are not convinced it is working terribly well," he says.

The law on auditors' liability needs clarifying, he suggests. "It should be clarified to impose statutory duty to take reasonable care in the preparation of the audit," he says. "Failure to detect detectable fraud should lead to compensation for shareholders and creditors."

Perhaps most significantly, he says: "I would favour an [Office of Fair Trading] examination of the way accountancy is developing." He questions whether the mergers between the accountancy firms have been in the public interest, and whether pending law suits threaten their viability. "Accountancy is now concentrated in far too few hands," he says.

The three major party manifestos may ignore accountancy, but the politicians clearly do not. Accountants clearly fail to vote at their peril.

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Reebok

Manager - International Treasury

North West

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Interested applicants should write enclosing curriculum vitae, to **Stephen K Banks ACMA, Regional Director, Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.** Please quote reference: **M14844.**

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c.£35,000 plus performance bonus — ***Midlands***

▪ Our client is a privately owned well established Continental European manufacturer and distributor in the fmcg sector. The business is international and products are marketed through both directly owned national subsidiaries and designated agents. The products are well established in the UK and the next stage of the UK market development will be the creation of a wholly owned subsidiary. As part of this continuing policy to extend the business, this appointment will contribute to the final planning steps, then as a senior member of the team to implement the plan. The location of the business will be in the Midlands, but the site has not yet been chosen.

▪ The Financial Controller will report directly to the Managing Director of the UK subsidiary, who will be appointed from the parent company. The responsibilities will cover all financial management aspects of the company including adherence to the parent company's reporting requirements. Key tasks will be the selection and implementation of a computerised accounting system, the appropriate recruitment and development of the finance department and responsibility for the negotiation and subsequent control of terms and conditions with major customers.

▪ To be considered you should be a qualified accountant, already experienced in the management of a finance department, preferably within the fmcg sector. Experience in establishing finance and IT functions would be relevant. A proven ability to provide well disciplined, firm yet creative financial management for commercially successful ventures will match the demanding management style of our client.

▪ Please send career and personal details, stating whether you would relocate and including current remuneration, quoting Ref CA 378 to Carrie Andrews at Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

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